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China Report

ECONOMIC AFFAIRS

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CHINA REPORT
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PRESENT, FUTURE STATUS OF SHANXI'S ECONOMY ANALYZED

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 8, 25 Aug 85 pp 33-38

[Article by Kang Changli [1660 2490 7812] of the Institute of Economics of the Shanxi Academy of Social Sciences: "On the Present and Future Status of Shanxi's Economic Structure"]

[Text] The overall structure of Shanxi's economy belongs to the rich natural resources type. This is in complete accordance with the view that Shanxi's economic structure is of the heavy industry type, because the province's industrial, distribution, exchange, and consumption structures are all built on a solid foundation of rich natural resources. This overall, systematic study is based upon the entire process of social reproduction, that is, on the four links of production, distribution, exchange, and consumption in order to make a qualitative and quantitative inquiry into present and future tendencies of Shanxi's economic structure.

I. Production Structure

Production structure is the foundation of economic structure. The most outstanding characteristics of Shanxi's production are its many heavy industries, industries requiring the intensive application of labor and numerous primary products. It belongs basically to the mining products type of structure.

A. The Heavy Industrial Department Structure

The industrial department structure determines the nature of the production structure, which thereby determines the overall economic structure. The main characteristic of Shanxi's industrial department structure is the large proportion taken up by heavy industry, which is to its advantage. In 1982, the percentages for the output values of agriculture, light industry, and heavy industry were 32.3, 20.4, and 47.3 percent, respectively, that is, a ratio of 3:2:5. This greatly exceeded the average national ratio of 3:3:3.

Shanxi is one of the world's eight largest coalfields (with fields producing over 100 million tons annually). Its raw coal yield in 1982 was 21.8 percent of the national output. The basic characteristic of Shanxi's present industrial structure is its heavy-type structure which produces primarily raw materials needed to provide energy in manufacture. The industrial department

structure of the province will maintain this advantageous structure until the end of the century (see Table 1).

Table 1. Shanxi's Industrial Department Structure in the Year 2000
(GVIAO = 100) Unit: percent

Agriculture	Light industry	Heavy industry
27.2	22.2	50.6

The above prediction was based on overall planning objectives for construction of industry bases in energy, heavy industry, and chemicals. The main trend is represented by the heavy-type structure in which energy products form the core of production.

However, much development must be done in coalification, renewable energy, and light industry. At the same time, priority must be given to the development of transportation and communications, particularly railroads and highways, because the real weak link in Shanxi's industrial departments is transportation which has already created a bottleneck in the province's coal industry that will have a deleterious effect on the pace of industrial modernization in Shanxi.

2. The Labor-Intensive Type of Technology Structure

The technology structure is an important indicator in the measurement of the degree of modernization of the production structure. The most marked characteristic of Shanxi's technology structure is the predominance of labor-intensive industry.

The status of the technology structure of the two basic industrial departments of industry and agriculture in Shanxi in 1982 showed the following characteristics (see Table 2):

Table 2. 1982 Shanxi Industrial and Agricultural Technology Structure
(Whole number ratios)

Sector \ Category	Labor-intensive type	Capital-intensive type	Technology (knowledge)-intensive type
Industry	14	11	1
Agriculture	11	3	1

Clearly, labor-intensive enterprises occupy a predominant position in industry and agriculture. There are, however, still great differences between the two regarding the other two categories. The ratio between labor- and capital-intensive types in industry is approximately 3:2, while for agriculture it is

3:1. This shows that the proportion occupied by capital-intensive enterprises in industry is much greater than in agriculture, and that there is a higher level of integral capital components in industrial departments compared to the agricultural. However, the ratio in industry between labor- and capital-intensive types versus the technology type is 25:1; in agriculture it is 14:1. Could this possibly mean that the level of technological modernization in industry is lower than that of agricultural departments? A more detailed analysis is required to answer this question.

Compared to the rest of the nation, the level of technological development in Shanxi's agriculture is not low. Several relevant indicators are close to or have surpassed those of the national average, are similar to Liaoning Province's, and are higher than Heilongjiang Province's (see Table 3):

Table 3. A Comparison of Major Technological Indicators in Agriculture in 1982

Category \ Province	National average	Shanxi	Liaoning	Heilongjiang
Total power in agriculture mechanization (horsepower/mu)*	0.15	0.14	0.15	0.08
Tractor use in agriculture (large, medium and small) (horsepower/mu)	0.042	0.034	0.047	0.04
Motors (horsepower/mu)	0.027	0.03	0.04	0.004
Percentage of irrigated land area electrically irrigated	56.9	69.3	81.7	68.9
Amount of electricity used in agriculture (kwh/mu)	26.6	24.3	48.3	11.7

*Mu refers to area of land under cultivation

Shanxi and Liaoning are both heavy industrial provinces, with industry, mining, and agriculture in outlying urban and mining areas occupying an important place. Therefore, there is also a great deal of protective agriculture, factory-type agriculture, and high-yield agriculture, and the level of technology and agricultural intensivity in these areas is higher than in most other areas. As a result, the proportion of technology- and capital-intensive enterprises is much higher than for the average agricultural area. Judging from this, the percentage of labor-intensive enterprises in Shanxi agriculture is not really greater than the comparable proportion for industry.

Shanxi's industry could be compared to Shanghai's. According to the relevant figures, the ratio between labor-, capital-, and technology-intensive enterprises in Shanghai's industry is 4:4:1, whereas the ratio in Shanghai between agriculture, light industry, and heavy industry is 5.7:53.1:14.1, basically placing the city in the processing and light industry structure type, which is clearly different from Shanxi. Shanghai's level of modernization in technology

is much higher than Shanxi's, and the predominance of its technology-intensive industrial enterprises is clearly much greater. In Shanxi's mining industry in which coal predominates, most enterprises, especially in rural and small town areas, basically use manual labor, with the exception of some centralized distribution coal mines and local coal mines.

What changes and new trends will the future bring? According to the analysis presented here concerning Shanxi's industrial department structure, the following tendencies may appear in the technology structure by the end of this century: the proportion held by technology- and capital-intensive industries will increase equally, while that held by labor-intensive industries will show a corresponding decrease (see Table 4):

Table 4. Trends and Changes in the Future Development of Shanxi's Technology Structure

Unit: percent

Sector \ Category	Labor-intensive type	Capital-intensive type	Technology (knowledge)-intensive type
Agriculture	15.5	10.1	5.2
Industry	25.6	35.3	8.3
Total	41.1	45.4	13.5

3. Organizational Scope Is Predominantly Medium and Small Enterprise

The organizational scope of production is the main indicator of the numerical level of intensity of the major factors of the productive forces. The most marked characteristic of this structure in Shanxi is the predominant place held by small enterprises, particularly in the industrial structure of coal and raw material products.

The situation in the organizational scope for production in Shanxi in 1982 is shown in Table 5:

Table 5: Shanxi's Organizational Scope for Production in 1982 (Gross output value of each sector = 100)

Unit: percent

Sector \ Category	Large enterprises	Medium enterprises	Small enterprises
Agriculture	6.3	13.1	80.6
Industry	33.6	18.0	48.4
Construction	38.4	8.0	53.6
Communications, posts and telecommunications	49.0	22.0	29.0

Of the provinces and regions of China in which heavy industry predominates, the organizational scope structure of Shanxi exhibits its own special characteristics. The mix of its large, medium, and small industrial enterprises is generally similar to that of Shanghai, Liaoning, and Heilongjiang, however, the proportion held by Shanxi's large enterprises is the smallest, as is its output value and the proportion held by Shanxi's small enterprises is the largest, as is its output value.

The proportion held by small enterprises in Shanghai is the smallest, but its output value is similar to Shanxi's. This shows that the output value of small, fine-processing industries in Shanghai's back lanes and alleys is higher, while that of local, small mining and raw materials products industry in Shanxi is lower.

The present status of the organizational scope for agricultural enterprises in Shanxi is basically the same as for the rest of the nation. However, along with the development of commodity production, a new trend may appear in the organizational scope of agricultural enterprises--a tendency for small enterprises to develop into middle-sized ones.

Two different tendencies for change may occur simultaneously in the future organizational scope of industrial, construction, communications, and postal and telecommunications enterprises: developments involving both increases and decreases in scale. Judging from construction in Shanxi's energy, chemical, and heavy industries, large-scale, core enterprises must be built in order to ensure the achievement of the strategic goal of quadrupling the gross output value of raw coal. This is representative of the first of the two above tendencies. As regards urban and rural economic reform, we must continue to liberalize policies to encourage the individual economy and develop the collective economy. This is representative of the decentralization of the second tendency, from large to small; the decision whether to centralize or decentralize, to choose the large scale or the small scale depends, in the end, on the needs of the appropriate economic scope, and the productivity rate and amount of economic returns.

Based on the above analysis, enterprise organizational scope in Shanxi will show the following tendencies by the end of the century (see Table 6):

Table 6. Tendencies in Enterprise Organizational Scope in Shanxi by the Year 2000 (Gross output value of each sector = 100)

Unit: percent

Sector \ Category	Large enterprises	Medium enterprises	Small enterprises
Agriculture	16	33	51
Industry	44	18	38
Construction	54	20	26
Communications, posts and telecommunications	49	30	21

4. The Product Mix in Which the Manufacture of the Means of Production Is Dominant

The material product mix reflects the nature of the production structure and is an important indicator of the national economic type. A marked characteristic of Shanxi's industrial structure is the predominance of the manufacture of the means of production.

The 1982 product-utilization structure in Shanxi was as follows (see Table 7):

Table 7. 1982 Product Utilization Structure in Shanxi

Item \ Sector	Total	Agriculture	Industry	Construction	Communications, posts and telecommunications
Means of production					
Output value (100 million yuan)	146.7	19.8	99.2	15.4	12.3
Percentage of sector's gross output value	62.0	31.1	76.0	56.0	82.8
Percentage of gross output value of means of production	100	13.5	67.6	10.5	8.4
Means of subsistence					
Output value (100 million yuan)	89.8	43.8	31.4	12.1	2.5
Percentage of sector's gross output value	38.0	68.9	24.0	44.1	17.2
Percentage of gross output value of means of subsistence	100	48.8	35.0	13.5	2.8

The production of the means of production in Shanxi industry is predominant, but its proportion of similar products nationwide is not very large. Of the output values for 60 major industrial products listed in the 1983 "Almanac of Chinese Statistics," only 21 of Shanxi's products amounted to more than 2 percent of the national figure for similar products; of those only 14 belonged to the category of the means of production, and with the exception of raw coal (21.8 percent) and locomotives (48.6 percent), the remaining 12 products were below 6 percent. Compared to Shanghai, Liaoning, and Heilongjiang, Shanxi's product mix is clearly of the unitary raw materials type (see Table 8):

Table 8. Comparison of Production of 60 Major Industrial Products in 4 Provinces and Cities in 1982 (National production = 100)

Item / Province or city	Production of the means of production		Production of the means of subsistence	
	Numbers of products occupying more than 10 to 20 percent	Over 20 percent	Numbers of products occupying more than 10 to 20 percent	Over 20 percent
Shanxi		2		
Shanghai	10	1	10	3
Liaoning	8	6	4	2
Heilongjiang		5	2	

Note: Based on information from the 1983 "Chinese Statistical Abstract"

Clearly, Shanxi and Heilongjiang are quite similar. They both belong to the energy raw materials structure type, dominated by a few single, rather than many strong-selling products, such as raw coal or petroleum, and do not possess any other new hot-selling products that can win over domestic or international markets.

Shanxi's product circulation structure also exhibits this same unitary emphasis on raw materials (see Table 9):

Table 9. Shanxi's 1982 Imports and Exports (to and from the province)

Item / Sector	Agriculture	Industry	Communications, posts and telecommunications
Imports			
Value (100 million yuan)	13.1	42.9	1.3
Percentage of sector's output value	20.5	93.9	2.9
Percentage of gross import value	22.9	74.9	2.3
Exports			
Value (100 million yuan)	8.0	47.9	2.9
Percentage of sector's output value	12.5	36.7	19.4
Percentage of gross export value	13.6	81.5	4.9

The volume of circulation of Shanxi's agricultural byproducts outside the province is extremely small. It imports primarily basic means of subsistence,

such as grain, cotton, and oil, and exports small amounts of local specialty products, such as herbal medicines. The amount of imports is greater than the amount of exports, while in industry and communications, posts and telecommunications, exports are greater than imports. The province exports primarily such raw materials as raw coal, iron, and minerals involving high energy consumption, while importing primarily such finely processed industrial products as automobiles, electronic goods, scientific instruments, and articles for daily use. Much of Shanxi's industrial exports are primary products, while a large proportion of its industrial imports consists of finished industrial goods.

Tendencies in Shanxi's product mix will be as follows (see Tables 10 and 11):

Table 10: Forecast for Shanxi's Product Mix in the Year 2000 (1)

Item \ Sector	Agriculture	Industry	Total
Means of production			
Output value (100 million yuan)	76.4	305.9	382.3
Percentage of sector's gross output value	39.2	58.6	53.3
Percentage of gross output value for both departments	20.0	80.0	100
Means of subsistence			
Output value (100 million yuan)	118.6	216.1	334.7
Percentage of sector's gross output value	60.8	41.4	46.7
Percentage of gross output value for both departments	35.4	64.6	100

Table 11. Forecast for Shanxi's Product Mix in the Year 2000 (2)

Item \ Sector	Agriculture	Industry
Exports		
Output value (100 million yuan)	55.4	
Percentage of sector's output value	28.4	
Imports		
Output value (100 million yuan)	50.7	
Percentage of sector's output value	26	
Primary products		
Output value (100 million yuan)		34.3
Percentage of sector's output value		65.7
Finished products		
Output value (100 million yuan)		179
Percentage of sector's output value		34.3

The above projections show that although future trends for change cannot lead to a change in the basic type of Shanxi's product mix within a short period of time, new groups of hot-selling products will eventually come into being under the stimulation of the world technological revolution, and a shift will occur toward the manufacture of finished industrial goods for export and products requiring primarily intellectual labor (including high-value agricultural byproducts).

5. The Ownership Structure of the State-Run Enterprise System

The ownership structure of the means of production reflects the position and function of various economic forms in social production. State-run ownership systems occupy a predominant place in Shanxi's share of the national economy.

The ownership structure in Shanxi in 1982 was as follows (see Table 12):

Table 12. Shanxi's 1982 Ownership Structure for the Means of Production in 1982 (Each sector = 100)

Item	State		Collective		Individual	
Category	Output value (100 million yuan)	Percentage	Output value (100 million yuan)	Percentage	Output value (100 million yuan)	Percentage
Total	136.9	57.4	81.3	34.1	20.2	8.5
Agriculture	0.8	1.2	47.8	75.1	15.1	23.7
Industry	108	81.2	25.1	18.8	0.06	0.04
Construction	17.5	67	4.6	18	4.0	15.0
Communications, posts and telecommunications	10.6	71.1	3.8	25.8	0.46	3.1

Notes: 1. Cooperative economy included within the collective
2. Independent economy of commune members included in the individual economy

The collective and cooperative economies dominate agriculture, while the state-run economy dominates in the construction industry and in communications, which is true for the country as a whole. However, the proportion of the state-run economy in Shanxi's industry exceeds the average national level for both enterprise number and output value, while the proportion held by the collective economy is lower than the national average. This reflects the slow development of the urban collective economy, especially the collective and individual economic elements in industry; therefore the proportion tends to be low (see Table 13):

Table 13. Industrial Ownership Structure in 1982

Region (Item)	State		Collective	
	Number of enterprises (percent)	Output value (percent)	Number of enterprises (percent)	Output value (percent)
National average	22.2	77.8	77.7	21.3
Shanxi	26.0	61.2	73.9	18.8

The proportion held by the individual economy in urban and rural Shanxi is tiny, only 0.04 percent of industry in 1982. If independent priority households and specialized households in agriculture are excluded, what can genuinely be called individual economy is insignificantly small. Practice has shown that the multilevel system of ownership featuring the state-run economy, collective, and individual economies is a relatively good structure to promote a flourishing urban and rural economy and the construction of socialism.

By the end of this century, changes in Shanxi's ownership structure may be as follows (see Table 14):

Table 14. Ownership Structure of Shanxi's Means of Production by the Year 2000 (Gross output value of each sector = 100)

Unit: percent

Sector (Item)	State	Collective*	Individual
Agriculture	0.8	74.9	19.8
Industry	63.4	30.3	6.3
Construction	60.0	25.0	15.0
Communications, posts and telecommunications	70.0	23.0	7.0

*Includes agricultural cooperative economy

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ECONOMIC DEVELOPMENT ZONES

RENMIN RIBAO ON DEVELOPMENT TRENDS IN ZHU JIANG DELTA

HK241007 Beijing RENMIN RIBAO in Chinese 17 Feb 86 p 1

[Report by Li Kefu [2621 0344 1133]: "Zhu Jiang Delta Shows Trends of Vigorous Economic Development"--passage within slantlines published in boldface]

[Text] The rural areas of the Zhu Jiang Delta, with a per capita income of some 700 yuan, have not only become more prosperous economically but profound changes have also taken place in the ideas, culture, and ethical concepts of the vast numbers of peasants. The changes that are taking place or will take place here demonstrate 10 major trends of vigorous development in the rural areas of this economically developed region.

/1. The Zhu Jiang delta has bid farewell to its closed economy, has switched from an economy stressing "agriculture, industry, and commerce" to one stressing "trade, industry, and agriculture," and has gradually set up an outward-oriented and open rural economic structure./ The farming and breeding industries have developed in the direction of producing "high-grade, precision, advanced, rare, high-quality, and sideline" products, and efforts are being made to produce all kinds of farm, sideline, local, and special products that can enter the international market or yield better economic results. The town and township industries which used to sell their products on the domestic market have also gradually increased the proportion of export products. The rural commerce and service trades are developing toward highly efficient and beneficial industries providing high-quality services and promoting exchange at home and abroad.

/2. The constant flow and recombination of rural labor force, resources, capital, and technology with the objective of attaining better socioeconomic results will gradually develop into a new pattern of mass agriculture with a coordinated development of primary, secondary, and tertiary industries./ A large number of laborers are constantly shifting from agriculture to industry, commerce, transport, building, services, and other industries, so that the output value ratio between primary industry and the secondary and tertiary industries has changed from 3:7 to 7:3. This transformation has not only broken the previous traditional agricultural structure centering on farming, but will also change what is generally called the mass agricultural structure which includes agriculture, forestry, animal husbandry, sideline occupations, and fishery.

/3. Agriculture is developing toward intensification and diversification, becoming large-scale, and advancing toward high input, high output value, and high benefit./ Farmland, forestry centers, and fish ponds have gradually been concentrated in the hands of experts, who are developing into a contingent of specialized peasants proficient in technical skills and good at business operations and intensive production. In developing secondary and tertiary industries, these peasant households help one another, promoting industry with agriculture and expanding industry for the development of agriculture. The distribution of farm crops is arranged according to market and foreign trade demands. A new situation, whereby farming is integrated with the processing industry and coordinated with tourism has emerged.

/4. Everyone, from peasants to leaders, is gradually learning how to rely on information and scientific decisions to carry out planned market regulation under macroeconomic guidance./ The information institutions set up one after another in the Zhu Jiang Delta have developed into a network. The peasants are willing to receive guidance and their interest in information has expanded from microeconomy to macroeconomy and from domestic to foreign markets. Correspondingly, transport and post and telecommunications undertakings have developed rapidly, bringing about an "intense popular interest in running transportation" and a "mass fervor in installing telephones."

/5. The peasants have started fostering a new concept of getting rich through science and they diligently work, study, and think, relying on science and technology to enhance their competitive ability and to preserve their staying power./ They are increasingly eager to import and popularize new strains, technology, and equipment from abroad and other parts of the country. Some peasants spare no expense to employ scientific and technical personnel or to run various technical training classes. While attaching importance to practical science and technology, some districts and townships also pay attention to the application and popularization of achievements in basic sciences, such as systems engineering, genetic engineering, and bioengineering, by cooperating with universities, colleges, and scientific research units.

/6. The peasants attach simultaneous importance to investment in intellectual resources and in production and consumption and their enthusiasm for running schools by fundraising is growing. The development of intellectual resources in the rural areas will become a gigantic project that will change backwardness once and for all./ Quite a few peasants have begun to shed the narrow ideas of "wanting to make money but not to run schools" and an upsurge of running schools by fundraising is in the making. Some districts and townships have spent a lot of money providing for promising youths who take more advanced courses of study in institutions of higher learning. Many young peasants also study computer technology and foreign languages at their own expense.

/7. The consumption structure has changed from stressing food, clothing, shelter, and household articles to stressing shelter, household articles, clothing, and food, and the proportion of recreation has increased day by day; consumption demand is gradually developing toward high nutrition, comfort, and up-to-date style./ In recent years, 60-70 percent of peasant households have built new houses, many of which are multistoried new buildings of reinforced

concrete. The peasants no longer consider a meal with fish and pork a rarity and they are gradually making a practice of "drinking some beer before a meal and eating some fruit after it." Some rural youths are more fashionably dressed than urban youths. Paying attention to hygiene has become an indication of an improved standard of living.

/8. Cultural life, which was dull and dry in the past, tends to be richer and more varied; ordinary peasant households have started to enjoy a loftier spiritual life characterized by musical instruments, chess games, books, and paintings./ The interests and hobbies of the peasants have become wider. They not only want to see good movies and watch excellent television programs and theatrical performances, but also voluntarily organize themselves to learn playing the violin and guitar, painting, calligraphy, and photograph. Vulgar sentimentalism has gradually lost ground.

/9. Lofty habits of new ideas, ethics, and concepts are in the making; public order is more stable; people are united and help one another; and there are cordial relationships among the people./ Although some negative phenomena, such as putting profit-making first and being blinded by lust for gain, have emerged in the course of developing the commodity economy, quite a few well-off peasants cherish more tender feelings for the party and show greater concern for the collective. A growing number of peasants want to join the party. The number of people who help others to become prosperous after they have prospered is increasing.

/10. The distinctions between town and country, industry and agriculture, and physical and mental labor have gradually been narrowed. The cities have a weaker appeal for the peasants in terms of employment opportunities and living conditions. On the contrary, urban manpower and financial and material resources will be increasingly attracted to the rural areas./ The fundamental reasons for this change are as follows: First, the rural economy has rapidly developed and the peasants' living standards have markedly improved; and second, the number of small cities and towns in the rural areas is constantly increasing and they are larger in scale. These small cities and towns have concentrated the merits of urban and rural areas and have gradually developed into regional economic, political, cultural, scientific, technological, and service centers linking up urban and rural areas.

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CSO: 4006/801

ECONOMIC DEVELOPMENT ZONES

PROPOSED MEASURES TO MAKE FUZHOU FUJIAN'S SILICON VALLEY

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 5, 5 May 85 pp 29-31, 39

[Article by Lin Qiping [2651 0366 1456]: "Fujian To Establish Its Own 'Silicon Valley'"]

[Text] The success of Silicon Valley has led to the spread of the silicon valley pattern of development and its imitation all over the world, the emergence of a veritable "silicon valley craze." This new technological revolutionary trend, with electronics as its core, truly deserves our conscientious study.

I

We in Fujian Province must establish our own silicon valley.

1. Establishing a silicon valley will enable us to skip the traditional developmental stages and move to the forefront of China. In nationwide perspective, Fujian is a rather backward province, both industrially and agriculturally. If we want to "move to the forefront of the country" within a short period of time, we have to skip the traditional developmental stages; the only reliable method these days to do so is to employ new advanced technologies in technologically transforming the traditional industries and trades, and, for that purpose, to concentrate on one industry as the pioneering sector and breakthrough point, the development of which would then provide the impetus for technological transformations in all other industries. This industry can only be the electronics industry. The U.S. magazine SCIENTIFIC AMERICAN is entirely justified in calling the electronics industry "the wheel of the 20th century" and "the bridgehead of the new industrial revolution." In its application, electronics is a general technology of the widest scope. All such areas as the rapid development of equipment for the automation of production processes, improvements in management and control in industry, commerce, finance, and in government organs, innovations in medical, pharmaceutical and scientific instruments, as well as modernization of information, broadcasting, and television networks, all rely on electronics. Its development will spur on the rapid development of all other industries and will be an important factor that could possibly allow us to skip the traditional developmental stages and move on to the forefront in China. Development of electronics is particularly suited to the special

characteristics of Fujian Province, which, although rich in natural resources, lacks the raw materials needed for the steel industry and lacks such sources of energy as coal, electric power, and petroleum, while the electronics industry, on the other hand, requires little energy and few materials. The development of the electronics industry requires a region with pioneering quality, which will constitute a core from which influence will radiate in all directions, spurring on developments in other regions. This, then, is what we want to develop as our own silicon valley in Fujian Province.

2. Establishment of a silicon valley will enable Fujian Province to play a special role in opening up China to the outside world. In Fujian Province, the electronics industry had its start in the late 1950's. It has developed rapidly and achieved a new breakthrough particularly since the initiation of the open door policy. As to the value of its production, in 1981 Fujian placed 16th among the nation's electronics industries, jumped to 8th place in 1983, and doubled the value of its production in 1984 compared to 1983, occupying 6th place in the country, electronics ranking third among Fujian's major industries. There are now over 500 types of products, which fairly cover the whole area. We therefore find in Fujian Province a certain foundation for the production and technology of an electronics industry. If we develop our own silicon valley in Fujian Province, it is bound to promote rapid further development of the electronics industry and other newly arising technologies in Fujian, and may quite possibly raise our electronics industry to an even more prominent position in China, so that it will become an important window and base of national significance for the importation and development of new technologies, centering on electronics, effectively play a special role as a provincial share in the opening up to the outside world, and greatly contribute to China's four modernization projects.

3. Establishing a silicon valley has been the strategic measure employed by Third World countries and territories in their efforts to move into the world arena with the development of their economies. The development of the electronics industry in the world, although mainly concentrated in such developed countries as the United States and Japan, is now an area where developing countries are doing all they can to catch up. Those that started early in this race were China's province of Taiwan, South Korea, Singapore, and Brazil. They all proceeded, one after the other, by establishing their own silicon valleys according to the pattern of the original Silicon Valley. In 1979 the Singapore government set out to establish a science and technology park at Kentegang, near Singapore University, as an entity that would facilitate the importation of new technologies. Taiwan also began, toward the end of 1980, to establish a science and technology park at Xinzhu for the importation of most advanced foreign technologies and to develop new technology-intensive industries. Up to now over 60 percent of the more than 30 enterprises approved for investment in the park were electronics and information processing enterprises. If the province of Fujian, an advance outpost of this Third World country of China, wants to attain worldwide significance in its efforts to open up to the outside world, it must also provide a base for an electronics industry and for high technology production, which means that it must also establish its own silicon valley.

II

Where should Fujian's silicon valley be located? In my opinion, it should be established at Fuzhou, a place with many favorable conditions for rapid development.

1. Fuzhou has a definite foundation as an electronics industry base. Currently, there are 108 enterprises of the electronics industry system throughout the province, of which about one-third are concentrated in Fuzhou. The electronics industry employs 22,157 staff and workers, and the Fuzhou Electronics Industry Bureau alone employs 6,716 of them, which is also about one-third. According to 1982 statistics, the output value of Fuzhou's electronics industry accounts for 43.13 percent of that of the whole province, placing it first in Fujian. Fuzhou's electronics industry is of decisive economic importance for the province and for the entire industrial system of Fuzhou itself. In 1985 its output value will place it among the top three industries of the municipality. In 1986 the profits that it will turn over to the treasury will be equal to the total amount turned over in 1983 by all municipality-run industrial enterprises. By 1990 its output value will be equal to the total output value of all municipality-run industries in 1983, reaching 1.2 billion yuan, which will be more than twice the total output value of 470 million yuan achieved by the entire province's electronics industries in 1983.

2. Fuzhou has a very strong scientific and technological work force. The electronics industry is "an industry based on scientific research," a "knowledge-intensive industry," or "technology-intensive industry." Its development is closely bound up with the foundation available in scientific research conditions and in scientific and technological strength. The province has five research institutes specializing in electronics, one each in the field of electronics, optics, computers, semiconductors, and communications, and one electronic products control and inspection office, all located in Fuzhou. The Fuzhou Electronics Industry Bureau employs 500 of the 1,866 engineering and technological personnel, and if the provincial electronics enterprises located in Fuzhou were included, the figure would be more than half. Fuzhou also has universities and colleges, such as Fuzhou University, Fuzhou Normal University, etc., which have specialized instructional and research establishments for electronics, optics, semiconductors, computers, and other high technology, and which have indeed already achieved outstanding successes in their scientific research, such as the HCP system developed by Fuzhou University, which is a first in advanced software tool manufacture in China. Fuzhou has also 36 scientific research organs, 450 high-ranking specialized research fellows, and 18,800 specialists in the natural sciences--altogether a large science and technology force, constituting a definite capacity for scientific and technological development and for the comprehensive handling of key projects, well capable of rapidly applying scientific and technological research results and absorbing and digesting advanced science and technology imports from abroad, and also capable of pursuing inventions and innovations.

3. Fuzhou has several excellent key electronic enterprises, some of them renowned at home and abroad, such as the Furi Company, which is the first

Chinese-Japanese joint venture enterprise in Fujian. In quality its television sets equal any similar type manufactured by Hitachi, and the sets have indeed been able to penetrate domestic and foreign markets. The productivity of the entire work force ranks at the top in this line of industry throughout all of China. The Fuzhou Computer Factory is the largest factory in the whole province; it is manufacturing microcomputers and calculators. The calculators are a staple product of Fujian's electronics industry, accounting for one-quarter of the total national production, and considered the best in the country. There is also the Fuzhou Radio Factory which manufactures the "191-model digital multimeters," a production that fills a gap in China's production of testing equipment. These excellent key enterprises will promote developments in a large number of cooperating factories and component plants, and will exercise leadership in the development of Fuzhou's electronics industry and other high-technology industries.

4. Fuzhou has a transport and communications network that extends in all directions. Good access to information is an important condition for the development of electronics and high technology industries. Fuzhou has well-developed communications and an even more advanced telecommunications system. The city has imported from Japan a complete set of equipment for a computerized time-division exchange system for a 10,000-channel city telephone system and for a 500-channel long-distance telephone system, enabling automatic direct dialing to places within China and abroad, and establishing long-distance telephone connections with various large cities in 41 countries, thus facilitating quick transmission of information.

All the above-mentioned favorable conditions provide Fuzhou with a sound initial basis for the development of electronics and high technology industries and make Fuzhou a favorable place for the establishment of a silicon valley. However, in order to achieve the development of an electronics and high tech industry of domestic and foreign significance, which will also be capable of spurring on the electronic industry of the entire province, and which will also turn Fuzhou into a pioneering district that will stimulate an upswing in all other industries throughout the province, it will of course be necessary to employ many further measures.

II

The following measures should be adopted to establish a silicon valley at Fuzhou:

1. It is necessary to determine a developmental plan for an intermediary period. In view of the characteristics of the Fuzhou electronics industry--its many small factories and large number of component factories--it is necessary, when determining the plan for the intermediary period, on the one hand, to base oneself on the presently available technology imports and technical transformations so far effected in the electronic enterprises, and to proceed in three stages. First stage: stress on the assembly of components, importation of advanced production lines for components, thereby laying a solid foundation. Second stage: emphasis on the readjustment of all machinery, importation of key equipment, key parts and random parts, the

production of complete electronic equipment of an advanced nature. Third stage: emphasis on prime items, best hot-selling goods, such as color TVs, electric refrigerators, video recorders for industry, microcomputers, etc., to bring about vigorous development and an economic upswing. On the other hand it is also necessary to pay serious attention to the opening up of new territory, to be conceived as: (1) Preparations for the establishment of an electronics industry university, mainly for the purpose of training postgraduate students and for the pursuit of scientific research. (2) Establishing a research institute for the development of software, to assume the tasks of scientific research development, development of industry, technological and economic research, technological projecting for all the various trades and industries, research in computer applications, and the gradual building up of a software force, turning the Fuzhou region into a software development center.

2. Pursuing a three-pronged course, accumulating capital through a variety of channels. The electronics industry requires large investments; hence it is called an "investment-intensive industry." Operation of a large-scale factory requires the expenditure of hundreds of millions of yuan. Following World War II, the major capitalist countries, especially the United States, Japan, Great Britain, and the FRG, invested at a high rate--about 3 to 5 percent of their GNP--in their electronics industries. For the last 10-odd years, the rate at which investments in the U.S. electronics industry increased exceeded the rate of increase in investments of the entire industrial sector. Turning Fuzhou into the silicon valley of Fujian Province within a short period of time requires large capital funds. However, raising large investment funds within the province and within the city would currently be very difficult; such funds must be sought through a variety of channels and should be pursued in a three-pronged way: On the one hand, capital may be absorbed from sources inside and outside the province, including capital of the state, of the collectives, and from individuals. On the other hand, joint operations with foreign enterprises should be initiated. Among all cases of importations by the Fuzhou Electronics Industry Administration during 1984, 11 cases were joint venture operations. We have by now accumulated a certain amount of experience in this respect. In the future we shall pay attention not only to the digestion, absorption, and conversion to domestic production of the imported items, but also to importing certain items that are of high technological level, that are difficult to manufacture, and that are highly sophisticated. And in yet another respect, when foreign enterprises invest their own funds to operate electronics industries in Fuzhou, the key target for our efforts to obtain such investment funds should be enterprises set up overseas by Chinese scientists of some achievement and most of the famous United States and Japanese high tech companies.

3. Importance must be attached to the transfer of technologies. An important experience gained from the success of Silicon Valley is the implementation of a policy of effecting technology transfers by a close linkage between universities and enterprises. In this manner the technology is transferred from the classrooms of the universities and from research offices to the various enterprises, in a kind of fast conveyor belt of knowledge for transports from institutions of higher learning and scientific research organs to the industrial enterprises, so that the technology can be speedily and

effectively used in actual production. In our efforts to establish Fuzhou as the silicon valley of Fujian Province we must fully assert the role of the universities and relevant research organs in Fuzhou City. For this purpose: (1) The Fuzhou University, being an industrial university with a very strong technical curriculum, must strengthen its research in latest technologies and must, furthermore, speedily transfer any achievements of its research to the enterprises. (2) Universities or research organs with suitably favorable conditions may, in an accurate assessment of the market situation and staying within the means presently available to them, start up by themselves enterprises appropriate to the needs of the times and develop electronic products required in the international market. (3) Universities or research organs may set up joint ventures with enterprises, having the enterprises invest capital and the university invest the intelligence of its personnel for an effective integration of capital and intelligence.

4. Importance must be attached to intelligence work and access to information. An enterprise that lacks advanced technology is of course in jeopardy, but more dangerous still is an ineffective state of its intelligence gathering and of its access to information. Our efforts to establish Fuzhou as the silicon valley of Fujian Province makes it absolutely necessary to pay strict attention to intelligence gathering and access to information. It is necessary to: (1) Establish a modern intelligence and information center, gather and study the production and marketing conditions of the electronics industries in the domestic and foreign markets, and their technological data, research achievements, etc. (2) Developmental strategy and import activities of the electronics industry must be based upon intelligence and information, to prevent irrational operations. (3) Based on market information and on scientific and technological information, efforts must be directed toward the improvement and updating of electronic products; we must strengthen the manufacture of new products in complete sets, change the composition of our products, and develop components and adjust machinery to form complete sets.

5. We must go all out in the successful utilization of intelligence, because Fuzhou's electronics industry now consists to a large proportion only in the assembly of imported parts, has a weak foundation, poor flexibility to meet changes in the situation, and is, furthermore, still rather backward in its production technology. Under these conditions, speedy development can only be achieved by going all to successfully utilize intelligence. This may be conceived as the need to proceed in the following directions: (1) To bring in, in a planned manner, highly qualified foreign technical personnel, placing special emphasis on bringing in Chinese of real ability and learning and scientists of Chinese descent. (2) To bring in from outside of Fujian Province a number of technical talents of the electronics industry and to import most advanced technologies. (3) To send a number of technical personnel, known to be highly devoted to their work, for advanced training to countries with highly developed electronics industries, such as the United States, Japan, and the FRG. (4) To strengthen supplementary general education and technical training of staff and workers, especially of young workers; organize staff and worker's participation in studies at electronics universities, vocational universities, and correspondence universities; organize advanced studies and training of technical personnel; raise the

overall technological quality of all staff and workers and of the scientific and technological work force.

6. Effectively implement a division of labor between the different factories. The electronics industry faces the fiercest competition in the international markets. Since we intend to establish Fuzhou as the silicon valley of Fujian Province, its electronic products must be targeted for the international markets; our opponents in the competition are, therefore, the advanced electronics industries of the various countries of the world. That makes it necessary to institute a division of labor within the province, and especially within our region; there must be no mutual competition for goods that are easy to sell. In the original Silicon Valley many different companies vie with one another to achieve one identical objective, while only one will in the end come out victorious. The others will only have paid a huge price and be left to bemoan their fate. This is a mortal defect that capitalism cannot overcome. Ours is a socialist state; we can effect macroeconomic regulation, allot each factory its share of work, and concentrate our strength on efforts to give a good account of ourselves in international markets.

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ECONOMIC DEVELOPMENT ZONES

ECONOMIST ON USING FOREIGN FUNDS, INVESTMENT

HK070906 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 3 Mar 86

[Excerpt] At a forum on investment held by the China Accounting Association and the Hong Kong Society of Accountants on 28 February, famous economist Jing Shuping said that foreign investors must not only open up China's domestic market, but must also help China open up the international market. He said that while promoting China's import trade and import of technology, it is necessary for China to upgrade its ability to earn more foreign exchange through exportation. Only thus can Chinese and foreign economic cooperation be full of vitality for a long time.

Both Chinese and foreign specialists and scholars were very interested in his speech. About 10 people immediately handed messages to the chairman of the forum asking Jing Shuping to further expound his views.

After the forum, we interviewed Mr Jing Shuping. This 68-year-old veteran specialist joined in commercial and industrial circles before liberation and worked with such famous people in economic circles as Rong Yiren and Wang Guangying. He is now a member of the CPPCC Committee, special adviser to the Ministry of Foreign Trade and Economic Relations, and managing director of the China International Trust and Investment Company. Some 33 Chinese-foreign joint ventures were set up by the China International Trust and Investment Company under him in 1984 and 1985. He said that the success of his company lies in developing relations between China and the international market while opening up China's domestic market.

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CSO: 4006/813

ECONOMIC DEVELOPMENT ZONES

HAINAN: HONG KONG ENTREPRENEUR TO CONDUCT SURVEY ON TOURISM

HK070921 Haikou Hainan Island Service in Mandarin 0400 GMT 5 Mar 86

[Text] At the invitation of the Guangdong People's Government, a six-member group of Hong Kong personages, including Henry Fok, arrived at Haikou from Hong Kong by plane at noon yesterday. The group is to conduct a survey on tourism in the region.

At the airport, Henry Fok and his party were greeted by Yang Li, vice governor of Guangdong Province; Wang Yuefeng, responsible person of Hainan Administrative District; (Zhu Yiming), deputy secretary general of the provincial government; (Gong Enguang), director of the provincial travel bureau; and so on.

Henry Fok is a well-known entrepreneur. After paying a visit to the island during the spring festival, Premier Zhao Ziyang met Henry Fok in Guangzhou on 15 February. He introduced to Henry Fok the island's tourist resources, as well as his plans for developing the island's tourism. He hoped that Henry Fok would become much concerned regarding the development of tourism on the island.

On 27 February, when meeting Henry Fok in Guangzhou, Governor Ye Xuanping and Vice Governor Yang Li solicited opinions from him on the development of tourism on the island. They also welcomed him to visit the island when it was convenient for him. Henry Fok showed great interest in the matter.

His current visit to the island will cover Haikou, Tongza, Sanya, Lingshui, and (Jinrong). The purpose of the visit is to survey the island's tourist resources, development plans, and the construction of hotels and tourist spots.

Yesterday afternoon, accompanied by Yang LI, Wang Yuefeng, and other comrades, Henry Fok and his party visited (Giongyan) Hotel, (Nantian) Hotel, Hainan Overseas Chinese Hotel, (Taihua) Hotel, and (Wugongchi) in Haikou. Meng Qingping, principal responsible person of Hainan People's Government, met Henry Fok and his party. He introduced to them the island's development and construction situation over the past year.

Last night, Comrade Meng Qingping held a banquet to receive them.

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ECONOMIC DEVELOPMENT ZONES

XIAMEN READY FOR FULL-SCALE PRODUCTION

OW100346 Beijing XINHUA in English 0239 GMT 10 Mar 86

[Text] Xiamen, March 10 (XINHUA)--Xiamen Special Economic Zone is ready to go into full-scale production after five years of construction, city Vice Mayor Jiang Ping said last week.

He told a meeting here of Fujian Province mayors that 500 million yuan had been spent on infrastructure projects over the past five years.

A comprehensive transport system to serve Xiamen's foreign trade was now in place with the completion of an international airport and the Dongdu ferry.

The zone was now set to enter a new development period in which it would concentrate on full-scale production and efficiency.

Jiang said first-phase construction was nearing completion on Huli industrial section, which housed some of Xiamne's 103 Sino-foreign joint ventures and cooperatives and wholly foreign-owned enterprises. It also included apartment buildings, hotels, department stores and entertainment facilities.

An imported dial-direct telephone system connected Xiamen with 24 Chinese cities, and Hong Kong, Japan and the United States.

A number of international banks had set up branches or joint ventures with the Chinese banks here.

Jiang said that by the end of last year, Xiamen had attracted 650 million U.S. dollars worth of overseas investment, and had imported new technology and 1,800 items of equipment to modernize its industries.

Last year's gross industrial output value was 129 percent more than in 1980, gross agricultural output value was 34.3 percent higher and city's net income from agriculture, industry, the building trade, transport and telecommunications, and commerce increased by 124 percent.

Urban workers' average wages increased by 86 percent and farmers' income by 157 percent. Urban and rural bank savings quadrupled and 46,000 more jobs were created.
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CSO: 4020/249

ECONOMIC DEVELOPMENT ZONES

LIAONING ECONOMIC ZONE ENTERS NEW STAGE

OW110916 Beijing XINHUA in English 0702 GMT 11 Mar 86

[Text] Shenyang, March 11 (XINHUA)--Work has started on 13 factories in the economic and technical development zone in Dalian city, Liaoning Province, just as the infrastructure construction is completed.

Ten factories, producing textiles, light industry and household electrical appliances, are expected to go into operation this year.

The development zone is 33 km from the downtown area and covers 20 sq km. The first construction phase involves a three sq km industrial park and accompanying facilities.

Since October 1984, more than 195.8 million yuan have been spent on infrastructure construction, of which the water supply and drainage systems, power transmission lines and transformer substations have been completed.

In addition, 10,000 sq meters of workshops have been built with another 10,000 sq meters under construction.

By the end of last year, 16 cooperation agreements with other parts of the country and 15 Sino-foreign joint venture contracts had been signed.

Peng Xiangsong, Liaoning vice governor, said the zone will concentrate on factories which require intensive techniques and produce products mainly for export.

The construction of the zone enjoys priority in fund allocation and supply of materials. Last year, the state provided 150 million yuan of loans in addition to loans of 20 million yuan from bank offices in the province.

Dalian, one of the 14 coastal cities open to overseas investors, has expanded its airport and is planning flights to Hong Kong, Europe and America.

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CSO: 4020/249

BRIEFS

NINGBO CITY'S EXPORTS INCREASE--Hangzhou, March 12 (XINHUA)--More than 100,000 peasant households in Ningbo, one of the 14 coastal cities open to foreign investment, now specialize in producing or processing export goods, local officials said today. Altogether, 145 products are produced for export to over 100 countries and Hong Kong. Last year, overseas sales of such goods amounted to 54 million U.S. dollars, the officials said. The current policy encourages peasants to make use of local resources to produce goods for export. In Ningbo, Zhejiang Province, more than 3,000 factories are doing additional processing of local farm and sideline produce for export. Peasants in coastal villages in the 9,397 sq km area are helped produce sea food for export, while people in hilly areas are encouraged to increase export of tea and bamboo-woven articles. Peasants on the plain areas, however, concentrate on producing high-quality food grain, lean meat and cooking oil for foreign markets. Ningbo authorities signed 17 contracts of cooperation and compensation trade with overseas companies last year, and introduced from abroad better varieties of rice, fruit, vegetables, poultry and technical equipment. [Text] [Beijing XINHUA in English 1442 GMT 12 Mar 86 OW] /6662

SHANGHAI EXPORT FAIR--Shanghai, March 11 (XINHUA)--The Shanghai export fair which ended this week was a great success, a city official said here today. Volume of business at the 10-day fair was expected to be 20 percent higher than the 130 million U.S. dollars achieved at a similar fair last year. Zhuang Yulin, deputy director of Shanghai's foreign economic relations and trade committee, said: "It is good news for Shanghai exports, which have remained static over the past four years." In the first two months of this year, Shanghai exported 490 million U.S. dollars worth of goods--11.8 percent more than in the same period last year. Zhuang said the improvement was due to the city's export drive, better cooperation between industrial and foreign trade departments and growing demand on the international market. About 2,500 foreign business chiefs took part in the trade fair. [Text] [Beijing XINHUA in English 1121 GMT 11 Mar 86 OW] /6662

SHANGHAI FOREIGN TRADE CONFERENCE--The Shanghai 1986 Foreign Trade Consultation conference formally opened at Jinjiang Hotel yesterday morning. Vice Mayor Li Zhaoji cut the ribbon at the opening ceremony. More than 1,000 people attended the opening ceremony, including responsible persons of the Shanghai municipal departments concerned and the Shanghai office of the representative of the Ministry of Foreign Economic Relations and Trade, officials of foreign embassies in China and consultates general in Shanghai, representatives of foreign firms, and foreign businessmen. The conference gave a reception in the evening to honor the guests from over 70 nations and regions. [Excerpts] [Shanghai WEN HUI BAO in Chinese 2 Mar 86 p 1 OW] /6662

CSO: 4006/813

ECONOMIC PLANNING

JIANXI'S NI XIANCE ON ECONOMIC COOPERATION

OW041051 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 2 Mar 86

[Excerpts] Ni Xiance, deputy secretary of the provincial CPC Committee and governor, announced yesterday afternoon, at the provincial work conference on economic and technological cooperation, that the provincial government has decided to regard the introduction of foreign investment and development of inter-regional and inter-departmental economic cooperation as major tasks in the province's economic work this year.

Ni Xiance pointed out in his speech: Practice in recent years shows that developing lateral economic relations and carrying out economic and technological cooperation are an important measure and form in implementing the economic policy of opening to the outside world and enlivening the domestic economy. They are an important part of the reform of the economic structure, as well as a major way to rejuvenate Jiangxi's economy and achieve the four modernizations.

Ni Xiance said: Our province is economically backward and short of capital. We cannot rely exclusively on the state for help. Developing lateral economic ties and attracting domestic and foreign capital are effective and important measures for solving our problem. If we carry out this work, we shall have the capital, materials, and personnel we need. Leadership at all levels must get a clear understanding of the situation and take advantage of the circumstances to establish the strategic importance of introducing investment from abroad and developing lateral economic ties in our province's economic work; speed up the pace of opening our economy to their provinces and foreign countries; vigorously promote lateral economic ties; utilize domestic and foreign capital and technology in different ways, at different levels, and through varied channels to turn our province's superior resources into economic superiority; and store up strength for achieving the strategic objective of quadrupling the provincial industrial and agricultural output by the end of the century.

After Comrade Ni Xiance's speech, the 5-day provincial work conference on economic and technological cooperation was declared closed. Jiang Zhuping, member of the Standing Committee of the provincial CPC Committee and vice governor, attended the meeting.

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ECONOMIC PLANNING

SHAANXI OFFICIALS REPORT ON PLANNING, BUDGET

HK090315 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpt] The fourth session of the Sixth Provincial People's Congress held its second full gathering on 8 March. (Cheng Xingwen), director of the Provincial Planning Commission, gave a report on the execution of the province's national economic and social development plan for 1985 and on views for planning arrangements in 1986. (Ge Tao), director of the provincial finance department, gave a report on the final accounts for 1985 and the draft budget for 1986. Executive Chairman Zhou Yaguang presided. The gathering was attended by 607 deputies.

(Cheng Xingwen) said in his report: Having fulfilled the Sixth 5-Year Plan in 1984, Shaanxi also overfulfilled the plan for 1985. The national economy developed in sustained big strides, and new achievements were scored. Total social output value reached 33.21 billion yuan, a rise of 15.4 percent over 1984. This included 25.54 billion yuan in total industrial and agricultural output value, an increase of 16 percent. Gross national product was 16.87 billion yuan, an increase of 11.9 percent. The great majority of other planning markets were fulfilled ahead of schedule. The situation is very good.

(Cheng Xingwen) said: In 1986, we must seriously implement the following important policy decisions of the central authorities:

1. Attach full importance to agriculture, the main foundation of national economic development, and continue to assign it an important strategic position.

2. Further step up construction of key projects in energy, communications, telecommunications, and the raw materials industries.

3. Strive to increase output of the consumer goods industries, especially of products that are in high demand, to meet the needs of improving the people's living standards, increase market supplies, and maintain basic price stability.

4. Assign a strategic position to training [word indistinct] people and developing science and technology, and bring about further development in education and scientific research.

5. Further expand external economic and technical exchanges, and vigorously increase exports so as to make more foreign exchange.

6. Further improve urban and rural living standards.

(Cheng Xingwen) also proposed four measures for persevering in structural reform and improving macroeconomic controls: Continue to promote structural reform in a careful and steady way; resolutely control investment in fixed assets; control the excessive growth of consumption funds; and further improve material supply work.

(Ge Tao's) report was in three parts: 1) the final accounts for 1985; 2) the draft budget for 1986; 3) strive to fulfill the 1986 budget tasks.

(Ge Tao) said: The province's total financial revenue in 1985 was 2,983,500,000 yuan. This is the first time in the 1980's that the province has self-reliantly achieved balanced revenue and expenditure with a slight surplus. For 1986, the central authorities have assigned the province a financial revenue task of 2,341,140,000 yuan. This year we should go further in correcting the guiding ideas on financial work, actively support the development of production, construction, and all undertakings, strengthen tax collection work and financial work in enterprises, and strive to fulfill and overfulfill the revenue tasks. We must oppose extravagance and waste and strengthen and improve macroeconomic controls. The focal point in financial work must be tangibly shifted to improving economic results.

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ECONOMIC PLANNING

SHAANXI GOVERNOR DISCUSSES 7TH 5-YEAR PLAN TASKS

HK100245 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 9 Mar 86

[Excerpts] In his report to the fourth session of the Sixth Provincial People's Congress, Shaanxi Governor Li Qingwei spoke on 10 aspects of the Seventh 5-Year Plan. The main aspects were as follows:

1. Persevere in putting reform in the first place. We must focus on further invigorating the enterprises, especially the large and medium enterprises and those enterprises that make foreign exchange through exports. We must consolidate the fruits of the reforms of prices and wages. We must promote joint operations and stimulate reforms by breaking down boundaries between trades, departments, areas, and ownership systems, and thus boost lateral ties between enterprises and the rationalization of the organizational structure and product mix of the enterprises. We must carry out reforms in depth, bring into full play the role of key cities, and improve macroeconomic controls.

2. We must persistently regard as our regional development strategic principle the vigorous improvement of the Guanzhong area and active support for the development of northern and southern Shaanxi, including the Weibei plain.

In developing the economy of northern Shaanxi, we must focus on exploiting the black treasure underground and on building up the green treasure on the surface. We must turn the natural resource strong points of coal and oil into economic strong points as soon as possible. At the same time, we must turn the natural resources strong points of coal and oil into economic strong points as soon as possible. At the same time, we must plant grass and trees on a large scale, and develop animal husbandry and the forestry and animal processing industry.

In developing the economy of southern Shaanxi, we must focus on exploitation and construction in the non-ferrous metal treasures and the indigenous mountain products. We must take advantage of the strong points of ample non-ferrous metal and building material resources and abundant electric power, and arrange in a planned way a number of metallurgical, building materials, and high energy-consuming industries in the area.

We should take full advantage of the biological resources to develop the foodstuff, medicinal herbs, and forest indigenous products processing industries.

3. Under the premise of striving to improve economic results, we must strive for a still better growth rate.

4. Under the premise of promoting steady growth in grain production, we must go further in readjusting the rural production structure in light of local conditions. We must uphold the principle of actively developing diversification without any slackening of grain production. We should speed up the development of forestry, animal husbandry, and township enterprises.

5. Apply advanced technology and speed up the technological progress of the existing enterprises. During the Seventh 5-Year Plan, the province must focus on doing a good job in technological transformation in 140 large and medium enterprises and in 1,000 enterprises subordinate to prefectures and cities. We must also speed up the work of switching the defense industry to producing civilian goods.

6. Do a good job in capital construction by concentrating forces to ensure the key projects. The province has 77 large and medium capital construction projects listed in the state plan during the Seventh 5-Year Plan. They include the Ankang hydroelectric station, with installed capacity of 800,000 kilowatts; the Wucheng thermal power plant, with installed capacity of 660,000 kilowatts; the Shaanxi aluminum plant producing 100,000 tons of electrolyzed aluminum a year; the Shaanxi museum, with advanced installations; and the Shaanxi radio and television center.

During the Seventh 5-Year Plan, in railroad construction we must focus on completing the Shenmu-Baotou line, open the (Podi-Qingjiachuan) section of the (Jiyan) line, and continue to build the (Podi)-Yanan section of this line. We must also complete the electrification and improvement of the Baoji-Mengyuan section of the Longhai line.

In road construction, we must focus on completing construction of the grade-1 highway from Xian to Sanyuan and the motorway from Xian to Lintong, and improve the road from Yulin to Fugu.

We must ensure the completion of the grade-1 airport at Xianyang by 1988. We must dredge and tidy up the Huang He and the Han Jinag waterways, and develop waterway traffic on the Huang He from Fugu to Yumenkou.

We should speed up the construction of digital telephone systems in Xian Anhltmzoji cities and construct the Xian international telecommunications service center. We must transform the backward state of Shaanxi's posts and telecommunications as soon as possible.

7. Persistently open up to the world and actively promote external economic and technological cooperation and exchanges.

8. Vigorously develop tourism, and turn the province into an international tourist center characterized by cultural and historical relics.

9. Pay attention to exploiting brain-power and vigorously develop education and science and technology. During the Seventh 5-Year Plan, the province must complete the task of introducing universal primary education. On the basis of consolidating and improving primary education, counties and districts containing about 20 percent of the province's population should introduce 9-year compulsory education.

10. Continually improve the material and cultural living standards of the masses. Beginning this year, the province will allocate 14 million yuan each year for reducing or waiving agricultural tax for poor households. This will be kept unchanged for 3 years. The province will also allocate 4.5 million yuan to old revolutionary bases in southern Shaanxi for developing production. We must strive to basically solve the food and clothing problem of the masses in poor areas within 3 years.

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CSO: 4006/804

ECONOMIC PLANNING

GANSU ECONOMIC PLANNING MEETING SETS 1986 TARGETS

HK080433 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 28 Feb 86

[Text] According to the provincial economic planning work meeting, which is currently being held, the main targets of the province's economic work in 1986 are to: promote reform and improve economic results so as to raise the gross industrial and agricultural output value to the level of 17.3 billion yuan representing an increase of 8 to 10 percent over that of 1985; and strive for a simultaneous growth in the output value and financial revenue.

This year, 1986, the first of the Seventh 5-Year Plan. Doing well in this year's work is an important step in consolidating and developing the achievements of the Sixth 5-Year Plan period and in being successful [word indistinct] Seventh 5-Year Plan.

Our guiding ideology for this year's economic work is to uphold reforms, transformation, opening up, and development and to grasp implementation firmly, improve macroscopic control, and promote a steady and coordinated development. Practical work should be as follows: Continue to invigorate the economy and improve the macroscopic control; promote an in-depth development of rural reforms and a steady and coordinated development of the rural economy; make rational plans and give correct guidances; continue to go all out to develop town and township enterprises and the collective economy in urban areas; drawing lessons from others, extricate the poor areas from their poverty-stricken state; invigorate large and medium-sized enterprises, further strengthening their vitality of self-development; and keep circulation channels clear, invigorate markets, strengthen economic links with overseas and other parts of China, and expand our extensive economic links.

Focusing on economic construction, we should strengthen all our work in respect to culture, education, science, technology, politics, and laws. In respect of such work, we should grasp reforms, economic results, shortcomings, grassroots, and the building of spiritual civilization, so as to guarantee success in this year's work.

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CSO: 4006/804

ECONOMIC PLANNING

QINGHAI LEADER SPEAKS ON ECONOMIC PLANNING

HK090233 Xining Qinghai Provincial Service in Mandarin 2330 GMT 8 Mar 86

["Summary" of Explanation of Proposal on Drawing up Qinghai's Seventh 5-Year Plan, delivered by Song Ruixiang, Deputy Secretary of the Provincial CPC Committee and Governor, at the Fifth Enlarged Plenary Session of the Sixth Qinghai Provincial CPC Committee]

[Excerpts] In the past 5 years, Qinghai has seriously implemented the principle of readjustment and reform, worked in concert, made arduous efforts, and scored encouraging success in all fields. During the Sixth 5-Year Plan, total social output value rose by 8 percent each year, while industrial and agricultural output value rose by 6.3 percent each year, and national income rose by 8.1 percent each year. There was a marked improvement in urban and rural living standards.

Song Ruixiang said that the province has three main tasks during the Seventh 5-Year Plan: 1) Create an excellent economic and social environment for reform of the economic structure to enable the reforms to proceed smoothly, and basically lay the foundation for a new economic structure. 2) Maintain sustained and steady economic growth, greatly strengthen the foundation--agriculture and animal husbandry--do a good job in key construction and the technological transformation of existing enterprises, and go all-out to improve economic results. The necessary reserve capacity in material foundation should be prepared for economic and social development in the 1990's. 3) Get a good grasp of science and technology, culture, and education, promote the building of socialist spiritual civilization, and continue to improve living standards on the basis of production growth.

By 1990, the province's total annual industrial and agricultural output value should reach 4.7 billion yuan, a rise of 1.7 billion yuan compared with the Sixth 5-Year Plan. Grain output should reach 2.3 to 2.4 billion jin.

Song Ruixiang said: The strategic idea for the province's economic development during the Seventh 5-Year Plan is to reform, open up, eliminate poverty, enrich the people, exploit resources, and be ready for the switch. In accordance with this strategic idea, we should adhere to six basic guiding principles in our economic work: 1) Persistently put reform in the first place and correctly handle the relationship between reform and construction. 2) Decide on a rational proportion between accumulation and consumption, and use construction capital in a concentrated way. 3) Correctly handle the relationship between growth rate

and economic results, and shift economic construction onto the track of improving economic results. 4) Uphold the principle of integrating internal factors with external assistance in expanding reproduction, and the principle of integrating key state construction with local economic development. 5) Regard eliminating poverty and enriching the people as the goal in developing the economy of the rural and pastoral areas. 6) Establish the idea of making arduous efforts over a long period.

On readjusting the production structure, Song Ruixiang said that the principle for this work during the Seventh 5-Year Plan is to highlight the key points, strengthen the foundation, take advantage of strong points, and improve economic results. Specifically, there are five points: 1) Strengthen the foundation position of agriculture and animal husbandry and step up infrastructural construction in communications, energy and telecommunications. 2) Speed up the development of the woolen textile, fuel, chemical, and non-ferrous metal industries. 3) Set up export commodity bases producing industrial goods and agricultural, animal, and indigenous products, and develop tourism and the export of labor. 4) Speed up the development of industries producing daily necessities. 5) Speed up the development of education and science and technology, exploit brain-power, and train talented people.

Song Ruixiang said: To accomplish the Seventh 5-Year Plan, we must accurately identify three points of breakthrough that are of major significance for invigorating the economy of the whole province, and grasp them ceaselessly. These breakthrough points are: Develop the lateral ties between Qinghai and other provinces and municipalities and between the different areas and enterprises within the province; develop township enterprises and urban collective enterprises; and get a vigorous grasp of the technological transformation of existing enterprises and improve their management.

On reforming the economic structure, Song Ruixiang said: The structural reform during the Seventh 5-Year Plan will basically be divided into three parts:

1. Do a good job in macroeconomic control. During 1985, we must consolidate, digest, replenish, and improve the reform measures of 1985, basically stabilize prices, and do a good job in supplying the markets.

2. Centered on developing socialist planned commodity markets, gradually reduce the scope of mandatory planning. We must do a good job in reforming the price setup of production materials and the price control system, further perfect the tax and profit system, and reform the financial structure.

3. Gradually establish a [word indistinct] structure suited to the new economic structure, and further harmonize the subordinate relationships of the enterprises.

We must persistently grasp the two civilizations simultaneously. We must in particularly summon up resolve to rectify the party style, strictly enforce party discipline, vigorously curb unhealthy trends, and eliminate all ugly phenomena that ruin the social mood.

Comrade Song Ruixiang said in conclusion: The party members and people of all nationalities throughout the province must be full of confidence in victory, unite still more closely, and work in concert to promote reform of the economic structure and economic construction during the Seventh 5-Year Plan, so as to speed up the four modernizations and invigorate Qinghai.

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CSO: 4006/804

ECONOMIC PLANNING

NEI MONGGOL MAKES ECONOMIC WORK ARRANGEMENTS FOR 1986

SK100721 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Mar 86

[Excerpts] After a 7-day session, the regional conference on economic work concluded in Hohhot City on the afternoon of 7 March. The conference set forth the major work of 1986, which is as follows: 1) Efforts should be made to consolidate and digest the results scored in reforms and to popularize and perfect various measures for conducting reforms in order to enliven the economy in the region; 2) by regarding as the central task work of increasing economic results, efforts should be made to earnestly organize well production plans and commodity circulation; 3) a good job should be done in making technical progress; 4) by regarding as a major task the work of upgrading product quality and saving energy resources, a good job should be done in managing enterprises; and 5) efforts should be made to enhance ideological and political work among the staff members and workers of enterprises and the work of conducting education and holding training classes.

The conference urged various localities to take a realistic step in ensuring the implementation of the Seventh 5-Year Plan and to make a success in the crucial battle of showing 100 percent increase in the 1987 annual total industrial and agricultural output value over the 1978 figure.

Attending the conference were leading comrades of the regional party and government organs, including Qian Fenyong and Liu Zuohui who delivered a report at the conference.

The conference commended the advanced units and individuals emerging in economic work in 1985, including the 8 advanced city localities such as Hohhot, Baotou, and Chifeng, as well as leagues such as Xilin Gol, Jirem, Xingan, Hulun Buir, and Ulanqab; the 3 advanced units emerging in the national drive to consolidate enterprises, including the Baotou aluminum plant, the Wulashan fertilizer plant, and the (Tuoer) Forestry Administrative Bureau; the 60 advanced units emerging in the regional drive to consolidate enterprises; and the 8 advanced individuals emerging in their group of the national test of plant chiefs and managers.

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CSO: 4006/804

FINANCE AND BANKING

INVESTMENT BANK FINANCES INDUSTRIAL EXPANSION

OW061134 Beijing XINHUA in English 1127 GMT 6 Mar 86

[Text] Beijing, March 6 (XINHUA)--The China Investment Bank (CIB) has invested 240 million U.S. dollars of World Bank money in 207 industrial expansion schemes since 1982, it was announced today.

It has also sunk 480 million yuan of Chinese currency into the schemes, said a CIB official here.

The bank was formed four years ago to finance construction schemes for Chinese businesses, and to act as agents for foreign investors, mainly the World Bank. It is backed by four billion yuan capital.

CIB can make both foreign and Chinese currency loans, all of which must be used as investment in fixed assets.

Most loans go to finance medium and small industrial expansion schemes, but CIB also makes investment loans to joint ventures, or partners of the Chinese side in such ventures.

By the end of last year, more than 80 schemes backed by the Work Bank and CIB had been completed. They had been backed by 47 million U.S. dollars and 90 million yuan of Chinese currency.

It is estimated that these finished projects will now generate a total profit of about 200 million yuan a year, and will lead to earnings or savings of 34 million U.S. dollars in foreign currency.

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CSO: 4020/247

FINANCE AND BANKING

HAINAN HOLDS FINANCIAL-TRADE WORK MEETING

HK060652 Haikou Hainan Island Service in Mandarin 0400 GMT 3 Mar 86

[Text] A 5-day meeting on financial and trade work for Han areas on Hainan Island ended in Haikou on 1 March. The meeting relayed the spirit of the meeting of directors of financial offices of cities and prefectures in Guangdong Province; earnestly studied the important instructions given by central leaders during their recent inspection of the island; summed up experiences from the region's financial work last year; analyzed the current situation in the region's financial and trade work; and studied and arranged the region's financial and trade work for this year.

The meeting maintained that despite the impact of the imported automobiles incident and natural disaster? Last year, the region fulfilled all financial and trade situation in the region is good. Reform of the financial and trade system is developing in depth. The managerial role of financial and trade departments has been brought into full play; macroeconomic control has been strengthened; circulation channels have been expanded; and the market has become more brisk and active. All units have also strengthened the work of turning losses into profits and building the two civilizations, thus basically fulfilling the task of straightening out financial and trade enterprises. The quality of financial and trade personnel has also been upgraded somewhat.

The meeting held that quite a few problems and difficulties still exist in the region's financial and trade work. To create a new situation in the region's financial and trade work, we must continue to have a clear idea about our target; continue to properly reform the financial and trade system; further correct our thinking on our professional work; vigorously support industrial and agricultural production; bring into play the main role of state-run commerce and supply and marketing cooperatives; properly arrange market supply; correctly handle the relationship between controlling the macroeconomy and enlivening the microeconomy; further strengthen and improve macroeconomic control and management; firmly grasp the work of turning losses into profits; continuously upgrade the management level and economic efficiency of enterprises; strengthen political and ideological work; and persist in building the two civilizations simultaneously.

[Chen Yinghao], responsible person of the Hainan administrative regional people's government, made a summation report at the meeting. Meng Qingping, deputy secretary of the Hainan Regional CPC Committee and principal responsible person of the Hainan Administrative Regional People's Government, attended the meeting and delivered a speech.

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CSO: 4006/805

FINANCE AND BANKING

BRIEFS

GUIZHOU'S RECORD REVENUE--Guizhou's financial revenue last year was 1.44 billion yuan, a rise of 20.3 percent over 1984 and a record. This was the result of vigorously developing production. Last year's industrial and commercial tax revenue amounted to 1.34 billion yuan, an increase of 353 million yuan over 1984. It was also the result of reforms such as replacing profit delivery with tax payment. In addition the major inspection on taxes and finances launched last year was a great success. The province's expenditure last year showed a rise of 11.31 percent over 1984. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Mar 86 HK] /8918

MEETING OF BRANCH BANK MANAGERS--The meeting of the branch bank managers of the provincial People's Bank recently concluded. The meeting put forward four maintasks of the branch banks of the provincial People's Bank this year. These four tasks are: 1. Priority must be given to issuing the loans of the banks in all places to support the development of the energy, communications, transport, and raw material enterprises, to support the enterprises which produce and procure exported marketable daily-use consumer goods so as to earn foreign exchange; to support production which can enliven large and medium-sized enterprises; and to guarantee the procurement of agricultural and sideline products covered by the plans. 2. It is necessary to vigorously help departments concerned handle marketable materials kept long in stock. 3. It is essential to develop negotiable instruments and to improve the work of settling accounts, in order to speed up the circulation of capital. 4. It is imperative to vigorously develop the savings business to guarantee enlarged sources of credit funds. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 4 Mar 86 HK] /8918

PER CAPITA INCOME REGISTERED INCREASE--In 1985 the people in the urban and rural areas of our province continued to increase their income and improve their living standards. According to a sample survey conducted by the provincial Statistical Department, in 1985 the net per-capita income in the rural areas was 385 yuan, an 11.6-percent increase over 1984. Allowing for price rises, the actual increase was 6.5 percent. The annual per-capita consumption spending was 297.6 yuan, an increase of 22.3 percent over 1984. Every 100 peasants possess 29 bicycles and 27 watches, and every 100 households possess 70 sewing machines, 17.5 televisions, 4 radio-recorders, and 3.9 washing machines. In the urban areas, the annual per-capita income for living expenses was 677.3 yuan, a 22.1-percent increase over 1984. Allowing for price rises,

the actual increase was 12.1 percent. The annual per-capita spending for living expenses was 615.9 yuan, an increase of 27.1 percent over 1984. In 1985 urban and rural savings deposits increased by a large margin. By the end of the year, the savings deposits of the people throughout the province reached 10.29 billion yuan, an increase of 28.8 percent over 1984. [Text] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 23 Feb 86 SK] /8918

ZHEJIANG BANKING MEETING--A meeting of presidents of agricultural banks in Zhejiang Province closed on 25 February. The meeting stressed that this year's rural monetary work should pay attention to tightening overall control over funds and promoting their rational use. The meeting also called for efforts to increase bank deposits so that banks could contribute to developing the rural economy in a better way. During the meeting, Shen Zulun, member of the Standing Committee of the provincial CPC Committee, and vice governor of Zhejiang, spoke to participants. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 25 Feb 86 OW] /8918

XINJIANG PER CAPITA INCOME--Urumqi, 22 Feb (XINHUA)--By vigorously developing agriculture and mining, Xinjiang's Bayingolin Mongol Autonomous Prefecture raised annual per capita income to 399 yuan in 1985, an increase of 108 yuan over 1984. The increase in per capital income was attributed to the rise in the prefecture's total agricultural output value in 1985, which topped the 1984 figure by 39.6 percent. [Summary] [Beijing XINHUA Domestic Service in Chinese 0104 GMT 22 Feb 86 OW] /8918

SHANGHAI TREASURY BONDS--Shanghai Municipality will continue to do its best to sell state treasury bonds this year. To encourage buyers to buy bonds, the municipality has decided to increase the annual interest rate from 5 percent in 1985 to 6 percent for unit buyer and from 9 percent in 1985 to 10 percent for individual buyer. [Summary] [Shanghai City Service in Mandarin 1100 GMT 21 Feb 86 OW] /8918

HUBEI DEVELOPS INSURANCE INDUSTRY--According to (Gong Feng), deputy general manager of Hubei Insurance Company, during the Sixth 5-Year Plan period, the province reached a new stage in the development of the insurance industry, which has become an indispensible part of the national economy and the people's livelihood. It now offers 59 types of insurance services to Chinese clients, and about 20 to overseas clients. The total amount of insured properties is 32.7 billion yuan, and 1.38 million people have their lives insured. During the Sixth 5-Year Plan period, the premiums received from Chinese clients showed an annual growth of 70.6 percent, higher than that of the state. Compared to 1979, the premiums received from overseas clients in 1985 was increased by 2.5 times. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 26 Feb 86 HK] /8918

URBAN DWELLERS' MONTHLY INCOME INCREASES--According to JINGJI XINXI DAOBAO [THE ECONOMIC INFORMATION JOURNAL], published on 3 March, a sample survey of 1,250 families in urban areas of the province shows that in 1985, the average per-capita monthly income of the urban dwellers for living expenses was 56.45 yuan, a 27.3-percent increase over the previous year. Considering the rise in the cost of living index, the real increase rate was 13.7 percent, the highest during the Sixth 5-Year Plan period. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Mar 86 SK] /8918

FUJIAN OVERSEAS INSURANCE SERVICES--Fuzhou, March 4 (XINHUA)--Fujian Province has extended its insurance services to more than 120 countries and regions, according to provincial insurance company. A company official told XINHUA that the total amount of premium in 1985 reached 6.55 million U.S. dollars, an increase of 52 percent over that of the previous year. The official said that the company's insurance service covered more than 30 categories of risks, including political risks, for not only importers and exporters but also for Sino-foreign joint ventures, cooperative schemes and foreign enterprises. The official attributed the achievements in the keenly competed world insurance market to better services and trustworthiness. [Text] [Beijing XINHUA in English 1604 GMT 4 Mar 86 OW] /6662

GUANGXI SCHOOL INSURANCE POLICIES--Nanning, March 8 (XINHUA)--Accident and life insurance policies have been taken out by 820,000 school children in the Guangxi Zhuang Autonomous Region under a scheme which started in September. One in eight of the region's pupils have so far paid into the scheme run by the Guangxi branch of the People's Insurance Company of China, said a PICC official here. Under the scheme, primary school pupils pay 1.5 yuan a year and secondary students two yuan. Payments of 1,500 and 2,000 yuan respectively are paid out in cases of death, and medical fees are paid if a child is injured in an accident. The branch has already paid out in more than 1,000 accidents which happened in or outside school. Nationally, about two million students have taken out life insurance policies, according to PICC. [Text] [Beijing XINHUA in English 0235 GMT 8 Mar 86 OW] /6662

CSO: 4020/247

FOREIGN TRADE AND INVESTMENT

SHENZHEN HOSTS SYMPOSIUM ON INVESTMENT IN PRC

HK060830 Beijing ZHONGGUO XINWEN SHE in Chinese 1414 GMT 28 Feb 86

[Text] Guangzhou, 28 Feb (ZHONGGUO XINWEN SHE)--Direct investment in China by foreign investors is increasing each year. This is an encouraging trend. In the next 5 years, China will more extensively use foreign loans and absorb more direct investment by investors abroad than in the previous 5 years. Gan Ziyu, vice minister of the State Planning Commission, stated the above at a symposium on investment in China which opened in Guangzhou today.

Gan Ziyu said: The actual amount of foreign capital used by China in recent years is about $16 billion, of which 65 percent is loans.

He continued: Direct investment in China by foreign investors is increasing each year, and this is an encouraging trend. The actual amount of foreign investment in 1983 was 40 percent greater than that in 1982. The amount was 50 percent greater than that in 1983, and the amount last year is estimated to be more than 30 percent greater than in 1984. By 1985, Chinese enterprises had signed more than 7,000 contracts, valued at about $15 billion, with foreign investors, and investment contracts valued at more than $5 billion have been executed. Of the more than 7,000 contracts, about 2,200 are for establishing joint ventures, more than 3,400 are for establishing cooperative enterprises, more than 100 are for the establishment of independent enterprises by foreign businessmen, 22 are for the exploitation of offshore oil resources, and more than 1,500 are for compensation trade.

Gan Ziyu said: In the future use of foreign capital, it is necessary to strengthen overall guidance and planning, to establish a system for the management of foreign loans and investment, and to perfect it. This not only will not affect the legal operations of foreign investors, but will make conditions even more favorable for them.

He stressed: China has always paid close attention to ensuring that its use of foreign loans is commensurate with its ability to pay debts in order to maintain the benign cycle of its national economy and to uphold its good reputation on the international financial market. This contributes much to bringing about a favorable environment for investment.

This symposium on investment in China is co-sponsored by China's Accounting Society and the Hong Kong Society of Accountants and is the first grand gathering of mainland and Hong Kong accountants.

Governor Ye Xuanping of Guangdong delivered a welcoming speech at today's opening ceremony.

More than 250 Chinese and foreign guests were present at the ceremony. The symposium is scheduled to close on 2 March.

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CSO: 4006/800

FOREIGN TRADE AND INVESTMENT

EXPORT PRODUCTION SYSTEM FORMATION SAID CRUCIAL

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 pp 1,2

/Article by Li Chongwei /2621 1504 1218/: "Plan To Establish an Export Production System"/

/Text/ The establishment of an export production system is a crucial, strategic measure that will strengthen both exports and foreign exchange earning capabilities.

It is pointed out in the recommendations for the Seventh 5-Year Plan that "regarding the overall export production arrangement, coastal and other areas with the right conditions should be employed as export bases for particular commodities. The export production system must be gradually perfected."

Why is it such a crucial strategy to create an export production system that strengthens exports, foreign exchange earnings and economic results? In the past, China's industrial and agricultural production system was part of a self-contained economy that mainly stressed satisfying domestic needs. Demand often exceeded supply capabilities, resulting in sellers' markets and enterprises lacked the competitive pressure and motivation to look outward; they were happy with that situation. Add to this the fact that China's economic management did not differentiate between domestic and overseas product sales, treating both as essentially the same.

Thus enterprises that produced for export did not receive the necessary support. Looking at the entire system in the long run, equipment was outmoded, technology backward, productivity low, costs high, marketing disjointed, and products were becoming more and more ill suited to meet foreign demand. Though in recent years China's export volume of oil, grain, cotton, and textiles have grown, other industrial and agriculutral products are fluctuating or stagnant as far as exports are concerned, to the extent that they are being gradually eliminated by international competition, causing a precipitous drop in export volume. Thus in order to increase foreign exchange earnings during the Seventh 5-Year Plan, it is necessary to develop products that are adapted to the demands of the international market as well as differentiate the management systems of production for export and domestic consumption. This will raise competitiveness on international markets. It is an important long-range strategy for developing China's foreign trade.

In This New Era the Guiding Idea Is To Create an Export Production System

Beginning in the 1960's with the support of the foreign trade ministry, a group of export bases, special export plants and specialized workshops was set up. They have been a positive aspect in expanding exports and increasing foreign exchange earnings; however, many weaknesses survive because there still has not been continuous, consolidated expansion. At present, under the new circumstances in which domestic and foreign markets are opening up and the economy is being restructured, both industrial and agricultural production power are advancing. The old methods are not even remotely adequate. The Central Committee's call to establish an export production system is a new problem arising from new circumstances. On the one hand, we should learn from the experiences of the old export bases and specialized factories, yet, on the other hand, we must break away from the previous framework. Based on the need to continue the reforms, the strategy for developing both the domestic and export economy must be integrated to a high degree. By starting from a realistic assessment of China's condition and the special features of international trade, it should be realized that the guiding idea must be the establishment of an export production system.

First, it must be realized that international trade works on a product-by-product basis. The supplying of raw materials, manufacturing, shipping, sales and post-sales service all have their particular characteristics; the links in the production cycle are like a tightly connected chain. Thus, separate export production systems must be created based on the different general commodity categories (i.e., agricultural byproducts, light textile goods, minerals, machinery, and electronic products, etc) and the particular nature of each commodity. The structure cycle is coordinated and that the economic gains of the entire entity are accounted for; the system must not be dissected by departments or areas, each must be self-governing. Second, international trade is in the midst of a firecely competitive, protectionist era. Each nation is pushing its best production resources on its highest quality, newest style, most reasonable priced best-serviced product and dumping it on the international market in hope of a business coup. Thus, export bases and special plants must stick to the principle of quality. Third, China is a socialist nation in which control lies with all the people. The goal of the economic reforms is to invigorate enterprises and to help them become relatively independent, self-managing socialist producers responsible for their own profits and losses. The goal is the same one export enterprises should strive for. They must go all out to develop new products, aggressively find new markets, be creative, continue improving management, raise economic benefits, and avoid relying on national resources. But because of fluctuations on the international market, and because changes are difficult to predict and protectionism has appeared, the hazards are great. It is difficult to deal with this situation solely on the strength of an individual enterprise. Thus it is imperative the nation pave the way by formulating a unified national plan that includes research and predictions concerning the international market. The expansion of export production must be planned and the division of labor must be coordinated.

Principles for Organizing an Export Production System

1. Under nationally unified arrangements, the various industrial and agricultural production departments, the foreign trade department and the governments of important production regions should link up to research and promulgate long-term strategies and concrete short-term plans for the development of export production. This must include the development of product variety, quality, volume, foreign markets, and marketing systems as well as the distribution of production bases, the attraction of advanced technology and technical transformation. The formulation of policy measures, the amount of investment, and supply sources should also be included in the strategic planning. In the planning, attention should focus on utilizing special economic zones, open coastal cities and other areas with the right factors to attract foreign cooperation for joint ventures, joint management, and export representation. This should spur on the development of export production in the interior; in this regard, the development of traditional products and resources of the interior must also be considered. Finally, the geographic, transport, and resource factors of various provinces, cities, prefectures must be considered in the national division of labor.

2. To establish export bases and specialized plants, first we must select a number of superior-quality, low-cost, high-priced export-level items in demand on the international market and then arrange and organize their production in existing enterprises and export production regions. Furthermore, it is essential to proceed with technical transformation, improve scientific and technological research and experimentation, as well as raise the level of technology and management. The goal is a reduction in investment, visible effects, and satisfactory economic results. The production capabilities of existing enterprises and production regions is insufficient; thus joint investment between production and trade units is needed, as are foreign capital joint ventures to initiate a few new-style export production bases or specialized plants. Some agricultural and livestock commodity-processing bases can extend the experiences of various cities and counties in Shandong Province that were production bases for frozen fowl. Variety specifications for corn, cotton, and other commodities should be based on international demand and major production regions should make use of their preponderant resources, establish plant and seed varieties and find export outlets. All bases and specialized plants must organize experts and unbiased personages to democratically critique and determine what is and is not good quality. In the future, similar kinds of commodities should be subjected to economic laws and intensive management, and production should be suitably centralized, but not overly so. Overseas marketing trademarks for similar kinds of commodities should be reduced and refined. The advent of a brand name will aid in the concentration of strength. In general, those products unable to meet foreign market standards should be sold domestically.

3. Within the export production structure, agricultural byproduct bases and both large-scale mines and factories can be divided into three categories: The first is that which deals exclusively with exports and is uninvolved with domestic production. This class will not be too numerous. The second category are those enterprises which deal with both domestic and export production. They will gradually increase the proportion of production for export. The third category are those enterprises which mainly produce for the domestic market, but they will still have some export duties or if the right factors are created, they may be able to expand exports. The latter two categories will constitute the greater number of production units. Among the production units will be many that coordinate complete export production systems, from raw materials to spare parts. These rear service units and reserve forces with great potential cannot be in short supply while the country is expanding export production.

4. Export bases, special plants, and specialized workshops will be of various styles; some will be mainly for production, others mainly for trade, and some will merge both functions, but regardless of the style, all of them will integrate production and trade, implement democratic consultation, coordinate the division of labor and bring into play their own strong suits. For export production enterprises, there should be a different set of economic assessment indicators, a different pricing structure, a different tax-collection policy, a different method of foreign exchange retention and different incentives from those employed by domestic production enterprises. The economic benefits for enterprises and workers must be directly coupled with the creation of foreign exchange through exports. After tax profits, wages, bonuses and benefits must be a bit higher at export bases and specialized plants than for similar domestic production enterprises. Thus, production for export will result in both genuine political honors and substantial economic benefits.

5. Economic and trade departments should provide information concerning the international economy at the appropriate times to export bases, specialized plants, and export production enterprises. When international market demand changes and strict requirements are made regarding product variety, specifications, styles, quality, and packaging, economic and technical assistance must be given. Long-term sales agreements signed by both parties should clarify the duties, rights and benefits of both parties. For some agricultural byproducts, a guaranteed base price should be set down in the contract, as should the penalty if either side fails to live up to stipulations in the contract. This will guarantee the stability of export production and the supply source of goods.

The establishment of an export production system is a new idea that will merge the open door policy with the reforms of the economic structure. It will also promote closer ties between agriculture, industry, and trade, this propelling export production to a new level. Once this system is established, the vertical and horizontal connection between trade, industry, and agriculture can be greatly bolstered. This could help alleviate the

long-standing contradictions in the foreign trade structure--the disjointedness of marketing, the antagonism between trade and industry, the split between departments and areas, and the separation between coast and interior. By placing China's foreign trade structure under the scientifically based laws of international trade and by smoothing out all aspects of the relationship, export production can be expanded, the competitiveness of China's agricultural and industrial goods on the international market can be enhanced, and the ability to earn foreign exchange can be improved.

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FOREIGN TRADE AND INVESTMENT

FOREIGNERS OFFERED NORTHWEST CHINA PACKAGE TOURS

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[Text] Xining, March 1 (XINHUA)--Package tours will be offered to foreign tourists to northwest China beginning this year, according to tourist officials in this region.

By going through formalities only once, tourists will be able to travel along the silk road, ancient roads between the Tang dynasty and western region, the Qinghai-Tibet highway and the tomb of Qin Shi Huang. They will also be able to travel along the special route covering the Qinghai Lake, Qaidam basin, Salt Lake, water head of the Yellow and Yangtze rivers and the Dunhuang grottoes.

Northwest China covers Shaanxi, Qinghai and Gansu provinces, and the Ningxia Hui and Xinjiang Uygur Autonomous Regions.

An office was set up recently by the five provinces and autonomous regions to coordinate the tourist reception and transportation work in the region.

In 1985, the five provinces and autonomous regions in northwest China received 100,000 tourists, including 10,000 foreigners.

According to the coordination office, the five provinces and regions will also cooperate in opening up international tourist market, connecting their tourist routes with other places of China and training tourist guides.

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FOREIGN TRADE AND INVESTMENT

MACHINE-BUILDING INDUSTRY HEAD INTERVIEWED ON EXPORT STRATEGY

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1

/Interview with Machine-Building Industry Minister Zhou Jiannan /6650 1696 0589/ by Ma Meili /7456 3780 7787/ and Wang Yixia /3769 0181 1115/: "State Council Establishes Strategy to Expand Exports of Machinery, Electronic Products"; date and place of interview not given/

/Text/ In discussions of China's economic development strategy, much attention is paid to the problem of machinery and electronic product exports. Recently, reporters for this newspaper brought up this question in an interview with Minister Zhou Jiannan. Below is the text of the discussion:

/Question/ Among the recommendations of the Seventh 5-Year Plan is to raise the importance of machinery and electronic product exports. It has been said that the State Council has authorized relevant departments to do a study and then make a decision. Can you discuss the essence of this?

/Answer/ Yes. The crux of the open door policy is the increase of exports; the more we export, the more we gain. In the future, the scale of China's exports will be closely tied to whether or not exports of machinery and electronic products advance. In the present world, the industrially advanced and the industrializing nations all stress the expansion of machinery and electronic product exports as a strategy in achieving economic growth. When I say machinery and electronic products, I mean it in the general sense, including household machinery, bicycles, sewing machines, etc. Machinery and electronic products constitute one-third of all exports worldwide. But for a long period China has been well behind in the exportation of machinery and electronic products and the total value of these exports constituted only about 0.3 percent of the world's total. (In 1984 China's machinery and electronic product exports comprised 1.25 percent of the worldwide total.)

Why are machinery and electronic products not being exported? First, because the strategic importance of these exports is insufficiently recognized. Machinery and electronic product exports are of extreme importance in China's economic development strategy. China's machinery and electronic products industry must be invigorated in order to increase exports. The State Council has determined that the machinery and electronic

products industry is the single most important industry regarding exports. The development of this industry must be furthered if its products are to be competitive in the international market. Of course it must be realized that the basis lies in upgrading product quality, variety, and standards as well as recognizing that policy measures and the structure of management must be improved.

/Question/ What is the tentative plan to attain the goals set out for machinery and electronic product exports?

/Answer/ The first step is for the foundation to be laid in the Seventh Five-Year Plan, which will be followed by the Eighth 5-Year Plan; after that the rate of growth can increase quickly. During the Seventh 5-Year Plan exports will center on products less technically advanced; by the Eighth 5-Year Plan and beyond there will be an increase in the proportion of high-level, technically intensive products and complete facilities for export. Of course these two periods cannot be distinctly separated. For example, complete hydroelectric stations as well as textile and sugar refining plants are available for export now.

/Question/ What are the tasks involved in laying this foundation?

/Answer/ Establishing this foundation is an arduous task; if it is not done realistically, we will be unable to advance exports. Most important is to raise both the level of management and the level of technology in machinery and electronic products industries. Enterprises looking toward the international market to export products must accommodate themselves to international technological standards. Scientific research, technological development and enterprise management must all be strengthened. Enterprises must proceed with technical transformation, attract technology from abroad and set up various kinds of cooperative production and joint capital ventures in order to raise managerial and technological standards. It is of extreme importance to train a corps of bright, capable people to understand technology, trade, law, foreign langauges as well as know how to quote prices, make bids, negotiate and establish contracts. By the 1990's there should be a corps of more than 10,000 well trained people.

Another important task is to set up overseas marketing, commercial information and maintenance and service networks. Without maintenance and service, people will be afraid to buy things.

/Question/ The concept of an export production system was mentioned in both the Seventh 5-Year Plan recommendations and in the Premier's elucidation. How does this apply to the machinery and electronic products industries?

/Answer/ Trade and production for export have undergone significant reform. In the past, many major plants did not consider exports their most important line of work: they relied on small plants to undertake guerrilla warfare and made purchases. The market was unplanned and thus fairly chaotic. Consequently exports were few.

The machinery and electronic products export production system is really three aspects of the export industry merged together. First, there are the export base enterprises. They must make an effort to secure high-quality goods from appropriate factories and also must bear the responsibility for obtaining foreign exchange. They should also have people familiar with foreign trade laws. Second, there are enterprises whose right to engage in foreign trade has been expanded. There are several key state enterprises that must undertake key construction projects for the state and need to increase exports. They should be granted broader trading authority typically through the export agent system. These enterprises should be able to establish specialized export branch plants and export workshops. Third, there are ordinary export enterprises. They should be encouraged to export machinery and electronic products that correspond with international demand. Some products, for instance, such standardized parts as welding rods or hand tools can still be procured by foreign trade enterprises for export. The first two kinds of export enterprises should be the main exporting force and their volume should comprise more than one-half the total. An enterprise's machine products operation should be divided between those mainly for export and those which are mainly for the domestic market. For example, there are numerous factories throughout China producing bicycles. It is not necessary for each factory to export a few bicycles; a few of the more famous factories should be selected to produce for export.

/Question/ Can you say something about the policy measures that are to encourage exports?

/Answer/ The present situation is as follows: Overseas sales are not as profitable as domestic sales. As processing becomes more complex, export costs rise. Clearly some present policies are not adapted to the needs of expanding exports, the report, the State Council has decided to enact feasible policies that actively support and encourage them. The overall requirements are: Exports must become more profitable than domestic sales and there must be encouragement to develop higher level processed goods and specialized, coordinated production. Rational, feasible measures are needed link up export production and trade.

/Question/ What kind of reforms have there been in the export management system?

/Answer/ The direction of the reforms are as follows: The professional duties of enterprises and the government are to be separated; production and trade will be integrated by mobilizing the energies of both production and trade enterprises mainly through implementing an agent system. They definitely must unite and be organized in dealing with foreign nations.

An agent system that is adapted to the special characteristics of machinery and electronic product exports must be promoted. Actually export and management duties will be carried out by production enterprises. In general, exporting enterprises will not set up a complete foreign trade structure, but will merely act as a foreign trade agent.

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FOREIGN TRADE AND INVESTMENT

STEPS TOWARD INSTITUTING EXPORT AGENT SYSTEM

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, May-Jun 85 pp 13-14, 20

[Article by Zhou Xian'gang [0719 2009 0474], China National Textiles Import-Export Corporation: "The Need To Integrate Industry with Trade, Technology with Trade, and To Gradually Institute an Export Agent System in the Garment Export Trade"]

[Text] Separation of government administration and enterprise management, instituting an agency system in foreign trade, integration of industry with trade, of technology with trade, and of imports with exports, all these are fundamental principles in the reform of our foreign trade system. In China's garment export trade system, we have taken a good stride forward during 1984 in instituting the integration of industry with trade and of technology with trade. Certain achievements in this respect have been recorded in Guangdong, Beijing, Hubei, Jiangsu, and Shanghai. However, with regard to the country as a whole, the pace has been too slow, and there has been basically no progress in the overall situation of instituting integration of industry with trade and of technology with trade. Action in this respect has not kept pace with the development of the economic reform throughout the country. To further implement the principles of the reform of our foreign trade system, all foreign trade enterprises exporting garments must accept it as their key task to implement integration of industry with trade, of technology with trade, and the gradual institution of an agency system for the export trade in garments.

Production is the basis, marketing is a key factor; production and marketing complement one another and help each other forward. A continuous development of our garment exports will depend upon an effective integration of industry with trade, of technology with trade, and of production with marketing, as the way to fully exploit the strengths of both industry and trade. We must further free ourselves from old ideas and remove all obstacles. Some of these obstacles come from outside, some from inside the foreign trade enterprises. In our foreign trade we must maintain a positive attitude and must, of our own accord, establish contacts with industry. The reform of our system of garment exports must focus on raising economic results. We must instill new vigor and vitality into our enterprises and push our garment export trade forward. Otherwise, our reform will fail. The integration of industry with trade, of technology with trade, and of production with marketing fully accords with these demands.

The "linking up" and "establishing contacts," that we speak of here refer to linkages between enterprises, the linkage of foreign trade enterprises with factories, and not to the linkage between government organs and enterprises. However, the linkage between foreign trade enterprises and factories must receive the support of the local and certain other government departments. When considering such linkages, the interests of certain industrial departments must be taken into consideration. Industry is of a local nature; the profits of industry are also profits of the locality. The linkage of foreign trade with industry must focus on the increase of production of marketable products, on the development of new types of products, and on the development of garment exports; this is the type of linkage that will be the most acceptable.

Garment exports involve a wide area of the economy, and conditions in the various departments, various segments, various localities, and various factories are quite different. It is therefore not possible to follow the same pattern in the integration of industry with trade, of technology with trade, of production with marketing, and in the forms of export agencies. These forms and patterns must accord with the great variety of actual conditions; experiences in many localities have already proven this point. With an understanding of conditions in some areas and according to my own knowledge, let me now discuss several forms of integration of industry with trade, of technology with trade, of production with sales, and of the agency system.

1. Forms of Integration of Industry with Trade, of Technology with Trade, and of Production with Marketing

(1) Loosely Combined Management

Foreign trade enterprises and factories (including those that manufacture outer garment cloth, printing and dyeing mills, garment factories, and factories manufacturing accessories) set up loosely combined management. An "integration of production with marketing" is established between the two parties, the factory and the trade enterprise, on the basis of equality and mutual benefit, through friendly negotiations, and by signing, voluntarily on both sides, an agreement for joint management. The foreign trade enterprise assumes responsibility for providing information, of advertising the product, of marketing the product, and of periodically arranging at the factory for certain quantities of the product to be manufactured. The factory assumes responsibility for delivery of the goods in accordance with the export contracts, to "fit production to sales," to guarantee delivery on time and in proper quality and quantity, and, furthermore, to continuously develop new products for the foreign trade enterprise to sell abroad, according to the information provided by the foreign trade enterprise. Each side, the factory and the trade enterprise, is independent in its business operations and management, each bears responsibility for its own duties and obligations, and each brings its own strong points fully into play, to overcome the imbalances between production and sales that had occurred in the past. Loosely combined management is actually a relationship of mutual cooperation. The interests of the two sides, the factory and the trade enterprise, generally do not conflict; that is, the foreign trade enterprises generally do not partake in

the profits of the manufacturing enterprises. However, only by mutual consent between the two parties can the foreign trade enterprise partake to a small degree in the profits of the factory. This type of loosely combined management should be generally instituted, especially with key factories that process export garments, and the foreign trade enterprises should on their own initiative seek to set up this kind of combined management.

(2) Joint Management of Production and Sales or Cooperative Management

The foreign trade enterprises and the factories do not invest in each other's enterprises. In addition to both sides assuming the duties and obligations as in loosely combined management, the foreign trade enterprise will also be responsible for introducing customers to the factory in question, to engage in compensation trade, to assist the factory in importing advanced equipment and advanced technologies, and in cases of necessity to provide the factory with the specific amounts of foreign exchange needed for the importation of advanced equipment and technologies, to develop the trade of processing imported materials, and to provide the factory remuneration with auxiliary materials unavailable in China, so as to facilitate production at the factory of garments better suited to international market demand. On the basis of mutual agreement, the foreign trade enterprise may partake of a small amount of the profits of the factory. These profits may be computed case by case or on an annual basis. The joint management of production and sales is one step more advanced than the loosely combined management, as far as integration of industry with trade and of technology with trade are concerned.

(3) Factories Operated with Joint Capital Investment

The operation of factories with a joint investment by foreign trade enterprise and factories is quite possible in the case of textile mills, printing and dyeing mills, accessory factories, and garment factories. It is somewhat easier in the case of garment factories, where investment is small, results are speedy, little is put in and much is produced. When operating jointly-financed factories, the investment of the foreign trade enterprise must not be excessive; generally it should be the smaller proportion, allowing the factory to get a somewhat larger proportion of the profits. The products of the jointly-financed factory may be obtained by the foreign trade enterprise either on a purchase basis or on an agency basis for eventual export. The factory will maintain independent accounting and be responsible for its own profits and losses. The two parties, the factory and the trade enterprise, will share profits and bear losses according to the ratio of their investments. The operation of factories with joint investments makes for an even closer integration of industry with trade, of production with sales, and for greater vitality in the enterprises.

(4) Operating Factories with Joint Chinese-Foreign Capital

The operation of factories with investments by three parties, namely the trade enterprise, the factory, and a foreign firm, or the operation of a factory financed by the factory and a foreign party, the foreign trade enterprise merely to introduce customers: Generally, the factory will invest the plant buildings, some of the equipment suitable for production, and an amount of RMB

(the plant buildings may not be invested, but rather rented by the joint venture). The foreign party will invest foreign exchange to buy advanced equipment. The foreign trade enterprise will invest by buying advanced equipment with foreign exchange or will invest RMB. The three parties will share profits and bear losses according to the ratio of their investments. The foreign party will be responsible for the marketing of the entire production, or part of it, as manufactured by the joint-venture factory. Generally, the exporting of the products will be entrusted to the foreign trade enterprise as agent, but may also be directly exported by the factory. The Chinese-foreign joint venture factory is truly achieving the integration of production with marketing as it ensures the sale of the production. In addition to importing advanced equipment and technologies, the factory can also introduce scientific management as practiced abroad and bring about a steady improvement in the quality of the products, their upgrading, an increase in designs and varieties, and better suitability of the garments for world markets.

2. Gradual Institution of the Export Agency System

Commissioning an export agent means to entrust a foreign trade enterprise with the marketing, concluding of contracts, expediting certification, shipment, exchange settlement, etc.; the foreign trade enterprise will charge the factory for which it acts as agent a certain handling fee. The factory is responsible for the procurement of the cloth, accessories, packing materials, the processing of the garments, their packing, and domestic transportation, and it will also have to bear any losses due to claims for compensation by foreign firms for losses caused by delays in delivery or quality defects. After exportation of the garments, tax refunds and price-disparity support are directly paid to the manufacturing enterprise. Because the garment exports concern many departments and many segments, because export prices differ for consignments to different markets of the world, and because economic results are quite different, agencies for garment exports must be based on the specific conditions; they cannot all be of the same pattern, and must even less be determined in precipitous action. We must create agency forms that suit actual conditions, first establish experimental cases, and after gaining experiences, gradually expand application. As to forms of garment export agencies, we may have the following forms:

(1) Case by case agencies: the factory commissioning the foreign trade enterprise as its agent item by item to export garments produced at the factory.

(2) The factory commissioning the foreign trade enterprise to export its entire production or a large portion of its production: The factory jointly financed by the factory and a trade enterprise and the joint Chinese-foreign financed factory may try out this form of export agency.

(3) The products from factories organized by companies jointly managed by factories and trade enterprises commissioning foreign trade enterprises as export agents: Companies jointly managed by factories and trade enterprises established with the joint investments by foreign trade enterprises and a certain number of garment factories. Joint management companies must obtain

the approval of the department in charge and must be registered by the administrative organ in control of industry and commerce as an economic entity with independent accounting systems and responsibility for their own profits and losses. The companies must have a board of directors and institute a managerial responsibility system. Their working personnel must be recruited from the foreign trade enterprise, from the factory, and from the general public. The export products manufactured by the factories participating in the joint management company are to be all exported by the foreign trade enterprise entrusted by the joint management company organization as its sole agent. The joint management company shall sign an agency agreement with the foreign trade enterprise. The joint management company's relation with the factory is one of procurement and processing. The joint management company does not take on the tasks of the factory, but has an equally preferential right to arrange for production. On receipt of the foreign trade sales contract, the joint management company may also arrange for production at factories in which the joint company has no investments. After exportation, tax refunds and price-disparity support are to be all paid to the joint management company. Business profits and losses of the joint management company are shared by the foreign trade enterprise and the factories at the ratio of their investments, but the factories themselves are entities with independent accounting systems and responsibility for their own profits and losses. The joint management company is not responsible for the obligations of the factories.

The foreign trade system of the entire country is now in the process of an active and conscientious reform. It is our intention to follow the above trends and become promoters of progress in economic reform. We shall make every effort to create new forms suited to the realities of China, to integrate industry with trade, to integrate technology with trade, to integrate imports and exports, and to institute export agency systems.

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FOREIGN TRADE AND INVESTMENT

EXPORT AGENT SYSTEM ISSUES ANALYZED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 16-18

[Article by Qian Zongqi [6929 1350 6386]: "An Analysis of Export Agent System Issues"]

[Text] The implementation of the agent system in export and import is one of the three reforms of our nation's foreign trade system. It is also an effective measure in the improvement of management and administration in foreign trade, and in the enhancement of economic effectiveness. The implementation of the agent system can not only strengthen the sense of responsibility in the management of production enterprises, improve administration, make exports more competitive, encourage careful calculation and strict budgeting among units using funds, develop internal potential, reduce the expenditure of foreign exchange, force foreign trade enterprises to change their bureaucratic style of work and improve the quality of services provided, but is also helpful in resolving contradictions between industry and foreign trade and in building closer relations between production and marketing. However, the system has certain disadvantages, such as the comparatively large risk that must be undertaken by the commissioning unit and the difficulty of maintaining a stable supply of goods for export. In addition it is not easy for foreign trade enterprises to thoroughly make it of their advantageous position. Therefore, there are prerequisites to implementing the agent system. We must not be hasty. In importing, we have already pretty much implemented an agent system, and results have been marked; therefore the system ought to be continued. However, the situation in exports is more complex. The purchasing system still has to be used with farm produce, sideline products and handicrafts; only with some commodities or production units under certain conditions can the agent system be implemented. There are even more questions as to whether to implement the agent system for industrial and mining products. The following several problems must be solved:

A. Can an Export Agent System Be Implemented for Industrial Goods?

I believe it can. The key lies in taking responsibility for export losses, in capital for export commodities, storage, and interest payments, and in handling foreign trade inventories. All areas must be properly dealt with.

With regard to export losses, losses often occur in the export of many industrial products. Some may increase along with price changes on the

international market and price increases for certain domestic raw materials. However, when one considers the favorable factors involved in commodity export, overall, the use of export agents and commissions by industrial enterprises and in assumption of sole responsibility for profits and losses are still beneficial.

Regarding capital and interest on it and warehouse rental charges, the implementation of the agent system in industrial enterprises will surely greatly increase the amount of goods in storage, and increase the use of circulating funds. At present the Bank of China issues loans for settling accounts and will also grant guaranteed loans, which can fill the need for this type of funding. Interest that must be paid on multi-purpose funds can be compensated with export profits.

In regard to foreign trade inventory already in existence, most of these products are not unsalable; products for which there is a big backlog are quite few, and can be dealt with via cooperation between industry and foreign trade units. Therefore, in terms of principle, most industrial enterprises can implement the export agent system.

B. What Conditions Are Required To Implement the Export Agent System?

The two main factors here are the ability of industrial enterprises to take risks and plan contacts and professional coordination between industry and foreign trade.

In implementing an agent system, the industrial enterprises naturally must take responsibility for the consequences of the export of their products. Due to the frequent changes in the international market, the inability to sell some goods, cancellation and violation of contracts, and variations in exchange rates will be frequent occurrences; therefore management risks will be greater than in domestic marketing. This will require better management skills, including the ability to understand information about the market, to become familiar with the realities of international trade, possession of the necessary facilities and availability of specialized personnel, and so on. At the same time, because the state no longer issues purchasing, transfer and allocation plans for a good portion of commodities involved in foreign trade, export quotas will be determined by the industrial enterprises, which will contact and coordinate their work with foreign trade enterprises. If good connections are not made between industry and foreign trade, or if unresolvable contradictions occur in business dealings, the state's export plans will come to nothing, export trade will be adversely affected, and the state's foreign exchange reserves will be reduced.

With regard to the present situation, only a portion of industrial enterprises are capable of implementing an agent system. In addition, those enterprises that produce goods in short supply on the domestic market or whose goods provide a better profit when sold on the domestic, as opposed to foreign, market, run the risk of shifting sales from the foreign to domestic market. There ought to be, therefore, limits to the utilization of the agent system in export.

C. Within What Limits Should the Agent System Be Instituted?

The nature and categories of industrial products for export are many and varied--there are those that require intensive labor, while others need intensive capital investment. Some require a great deal of technology. Some are specialized, while others can be put to general use. Some are produced by state-run enterprises while others are manufactured by collectives. Some are produced in a centralized manner, while others are decentralized. Some are produced by several units working in cooperation, while others are produced by one single unit. Some enterprises export single parts, while others export goods in complete sets, and so on and so forth. Therefore, with complex, varied industrial products available for export, we cannot rely solely on one form of management, but must adopt a variety of different modes. In order to stimulate industrial enterprises to produce more commodities for export, to make closer ties between industry and foreign trade, and to better motivate the management energies of foreign trade enterprises so that they can gain a mastery over the supply of goods, the export agent system ought to be restricted to the following limits:

Commodities should be restricted to mainly those requiring the intensive use of technology or capital, specialized products, or products of general use for which service is provided after being sold, and single parts. We do not need to use the system for goods in complete sets, goods requiring centralized production, products a large proportion of which are made for export, non-staple commodities whose styles must change frequently to adopt to the fierce competition on the international market, and so on.

Target enterprises should be restricted to those that produce a wide variety of products of which a definite proportion are reserved for export, and those that possess good management capabilities.

D. What Measures Should Be Used To Implement the Export Agent System?

Judging from the current situation and the reactions of industry and foreign trade units, the following measures ought to be adopted in the implementation of the export agent system:

1. Planned contacts: Because the state no longer issues quotas in the majority of cases regarding the numbers and types of export commodities, industry and foreign trade must do a good job in providing planned contacts. At the beginning of each year, industrial and foreign trade units ought to sign agent contracts, based on balanced export plans drawn up after thorough discussion of the two parties involved, and that have gained the approval of the relevant higher authorities. Then the contracts must be strictly enforced. Economic sanctions should be applied according to the "Contract Law" if any party violates their agreement. Both industrial and foreign trade enterprises should take responsibility together for the export tasks issued by the state.

2. Professional coordination: Disagreements may occur between industry and foreign trade in the process of implementing contracts. In such cases, the

responsible government departments ought to exercise their administrative powers in foreign trade and mediate, dealing with problems impartially and resolving them appropriately.

3. Encouraging export: The state should encourage and show preferential treatment towards industrial products that are exported for a commission by foreign trade enterprises working as agents for industry. If losses are sustained in export, the state should reduce or eliminate product and appreciation taxes; when losses are sustained on exports produced in excess or outside of the plan, the problem should be resolved by examining, reducing and readjusting taxes; when export profit rates are lower than rates for sales of the same goods on the domestic market, the state should bridge the gap by using preferential tax treatment based on the principle that the profits from the external market should be slightly higher than those of the domestic market; definite encouragement ought to be given to the export of high-quality name-brand products or new products that can bring fairly good economic results, and so on.

4. Credit supports: The Bank of China should grant guaranteed loans or loans on security to industrial enterprises that have implemented the agent system. The industrial and commercial banks ought to expand lending practices to grant credit supports to help provide for the necessary circulating premiums.

5. Expanding foreign trade-related services: Foreign trade enterprises acting as export agents should enthusiastically serve the exporting industries and promptly provide them with information on the international market, samples and materials from abroad, and begin consultative services as well as helping them solve problems related to storage, shipping, and inspection of export commodities.

6. Sharing responsibility for risks: Due to the constant flux on the international market, there are many risks involved in foreign trade. For example, it is difficult for the exporting industrial enterprise to take on all the responsibilities and risks entailed in the export business. This would not be helpful in promoting a sense of professional responsibility in the foreign trade enterprises, or in energetically expanding our export trade. Therefore, the foreign trade enterprise that acts as an agent should shoulder a portion of the losses involved in the cancellation of contracts, rejection of goods, demands for debt payments, bad accounts and other problems related to the export agent system. For example, if these losses are totally the fault of the industrial enterprise (such as products not up to par, lateness in delivery, etc.), then the industrial enterprise ought to shoulder the entire burden.

7. Profits for both parties: To promote close coordination between industry and foreign trade while conducting business on the export agent system, the benefits of both sides must be tied together; their gains and losses ought to be inseparable and both parties should feel bound by a common cause. For example, export agent service commissions can vary according to the degree of difficulty involved in handling different export commodities, the volume of goods exported and the size of the risk involved. Generally fees should be

between 1.5 and 3 percent. Foreign trade enterprises should also share some of the foreign exchange retained, the proportions of which could correspond with the risks involved. Also its sphere of usage ought to be appropriately expanded (for example to cover investments, benefits for the staff, etc.).

8. Improving evaluation indicators: All foreign trade enterprises acting as agents should only evaluate the volume of exports dealt with and the amount of income resulting from commissions (deleting losses due to risks taken when acting as agent). Industrial enterprises should base their appraisals on the amount of export sales, profits, costs and the turnover rate of funds. Rewards and punishments to be meted out to the enterprises should be based on these evaluations.

E. What Steps Should Be Followed In Implementing the Export Agent System?

First, launch more experimental projects.

The export agent system should be implemented step by step; uniform standards cannot be adopted, nor should any precipitous actions be taken. Rather we must energetically establish pilot projects to gain experience, and then gradually expand. The main focus now should be on dealing with the doubts and worries of both industrial and foreign trade enterprises and on setting up more experimental projects. Our work must be energetic, stable, speedy, and effective at the same time. Commodities chosen for the projects can include staples that are profitable to export or that will show some loss, but that have the potential to make up for deficits, that are easier to manage and have a future for development. Experimental targets ought to include large- and middle-sized factories and mines that are managed fairly well. In Imple- the agent system, the foreign trade enterprises must directly export the products of the industrial enterprises, and based on the "four principles of unity" and "two principles of openness," improve coordination between industry and foreign trade; the responsible departments higher up should not be quick to interfere.

Second, strengthen organized leadership.

The implementation of the export agent system represents an important change in the operational style of foreign trade that extends to numerous aspects of management and administration in both industrial and foreign trade enterprises. Problems will naturally occur when the system is put into practice. Therefore- responsible government departments at all levels should shoulder the responsi- bility of administrative management to make overall arrangements jointly with other organizations concerned and promptly solve problems as they arise. Industrial and foreign trade enterprises must also strengthen organizational discipline and energetically, conscientiously put the export agent system into practice.

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FOREIGN TRADE AND INVESTMENT

LIBERALIZED DOMESTIC, UNIFIED FOREIGN TRADE POLICY URGED

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[Article by Qiu Demin [6726 1795 3046], Economic and Trade Bureau, Shaanxi Province: "Tentative Discussion of the Problem of Establishing a Foreign Trade System That Combines Liberalized Central Control of Foreign Trade Enterprises with a Unified Central Policy for Dealing with the Outside World"]

[Text] The question of what pattern we should seek to establish as the objective in the reform of China's foreign trade system is an important topic that practice poses for us, and to which a clear and definite answer must be given. In the present article, an attempt is therefore made to set out some humble ideas on establishing a foreign trade system which combines "liberalized central control of foreign trade enterprises [domestic liberalization] with a unified central policy for dealing with the outside world [unified foreign trade policy]." It is hoped that specialists and scholars will offer their comments.

The Fundamental Meaning of "Domestic liberalization and Unified Foreign Trade Policy"

A foreign trade system is the pattern in which foreign trade is managed and controlled, together with all its basic institutions, as determined by all the essential foreign trade activities. The question of what pattern of a foreign trade system we should after all establish in China, so that the development of foreign trade will be promoted, is a question completely determined by the objective laws of foreign trade activity; such a pattern cannot be fabricated arbitrarily according to man's subjective will.

Everybody understands China's foreign trade to be the activity of exchanging commodities or labor services between China and other countries (or territories), the whole commodity circulation process taking place in two distinct markets, the domestic and the international market. Since the two markets are located in two different political and economic environments, and since they are controlled by two sets of different socioeconomic relations and economic laws, a foreign trade system that is to serve the development of our foreign trade must not only conform to the laws of the socialist economy and the objective demands of our developing national economy, but must also be

appropriate for the development of international trade. This peculiarity of China's foreign trade determines the need to implement in the reform of our foreign trade system "the mobilization of enthusiasm among all quarters as well as the realization of a unified central policy in dealing with the outside world" (Footnote 1) (CPC Central Committee: "Resolution on the Reform of the Economic System," offprint, p 34), thereby breaking down the fetters of the traditional state-monopolistic system of foreign trade, and gradually establishing a pattern of "domestic liberalization and a unified foreign trade policy."

What is "domestic liberalization and unified foreign trade policy"? "Domestic liberalization" mainly refers to the following action based on the theory of a socialist planned commodity economy:, the conscious adoption of the law of value, liberating and invigorating domestic production and business operations of enterprises, bringing the enthusiasm, initiative and creativity of foreign trade enterprises, production enterprises and scientific research units fully into play, and allowing these enterprises, within the limits of state policies and plans, and within the spheres of business operations approved by the state, full authority in planning, pricing, adjustment of assortments of goods, as well as the freedom to operate their business affairs independently, and to make all their own dispositions in personnel matters. It is a system that will, furthermore, advocate and protect rational competition between enterprises, and that will at the same time adhere to the principle of "each to take care of himself" in the internal management of the enterprises. The enterprises shall make their own independent policy decisions and their own arrangements as to their internal personnel, property, and materials affairs, as well as with regard to supplies, production and marketing. The enterprises themselves shall choose the pattern of business operations, and no sector of the government administration shall arbitrarily interfere in the legitimate business operations of the enterprises. The "unified foreign trade policy" mainly refers to placing commodity and labor service exchange activities in the international market under strict supervision and centralized control of the state, regardless of the type of foreign trade enterprise involved, and carrying out a unified policy toward the outside world. The starting point for all commodity and labor service exchange activities and all business contacts of enterprises in the international market must be the consideration of the interests of the state and of the entire nation, the strict observance of the general and specific policies and regulations of the state with regard to foreign trade, the submission to the unified leadership and centralized control of the state, and a strict enforcement of all orders and prohibitions decreed by the state. Apart from allowing the enterprises authority to select the pattern of trading, the determination of the assortment of goods for export (excepting cases where commodities are subject to mandatory planning by the state), the authority to investigate and research market conditions, to do their own pricing within the scope of price limits set by the state, there shall be a centralized control and supervision by organs specially designated by the state over all planning, marketing and pricing of import-export commodities, over the allocation and quotas for important commodities, over import-export licensing, and over foreign exchange receipts and expenditures. In all these areas, no unit whatsoever may do as it pleases or engage in mutual competition. If there is any overlapping in the trading of the same type of any commodity, the state must arrange for coordination and adjustment,

to arrive at a state of affairs where all speak with one tongue, all march in the same step, and all show "one fist" to the outside world.

The two aspects, "domestic liberalization" and "unified foreign trade policy" presuppose each other, condition each other, and complement each other. The "domestic liberalization" is the source of dynamic force for the development of foreign trade; the "unified foreign trade policy" serves as foundation on which we are opening up the markets of the world. Without "domestic liberalization" the "unified foreign trade policy" would not have its needed counterpart. Without the "unified foreign trade policy" the "domestic liberalization" would end up in chaos. It is therefore easy to see that the two are two opposites that form one entity; it is an entity of dialectics. Both are part of our foreign trade system, and both in unison are the essence of our socialist planned economy.

During the past 35 years, the positive and negative experiences in China's foreign trade testify to the fact that we must not adopt a method of managing our foreign trade that would allow "domestic liberalization" to undermine our "unified foreign trade policy," and we must also not go the road of the past of using "unified foreign trade policy" as a means to suppress "domestic liberalization." The reason is that the former method is bound to end up in chaos and would create irreparable damage, and the latter method is bound to end up in controls with deadly rigidity and restrict the development of foreign trade. The only way to adapt to the new situation and meet the new demands of China's foreign trade development is therefore to start out in our explorations and in our actual practice from an integration of "domestic liberalization" and "unified foreign trade policy," to gradually establish a trade pattern of "domestic liberalization combined with unified foreign trade policy."

Currently, guided by the spirit of the CPC Central Committee's "Resolution on the Reform of the Economic System" and Document No 122 (1984) of the State Council, the reform of China's foreign trade system has achieved a breakthrough progress in invigorating the enterprises and enlivening our business operations. However, at the same time, certain localities and units have shown a tendency to weaken or evade the unified control of the state, while certain foreign trade control organs have been unable to correctly carry out the separation of government administration and enterprise management. They have mistaken the policy of simplifying administration and relegating authority for a permission to divest themselves of all responsibility, hence relaxing all guidance and supervision of the enterprises. To merely "liberalize" without "unifying," merely giving "autonomy" to the enterprises without giving any thought or taking any action with regard to state supervision is in actual fact manifestation of a kind of anarchism. If it is allowed to spread freely, it is bound to create a chaotic situation beyond imagination. In view of these facts, it is necessary to make a conscientious study of the Central Committee's "Resolution," strengthen theoretical research, further enhance our knowledge, unify our thoughts, at the same time as giving the enterprises a free hand and invigorating their foreign trade operations, also effectively strengthening the control of foreign trade work, strengthening our unified stand toward the outside world, and to have the

reform of our foreign trade system steadily progress along the road of an integration of "domestic liberalization" and "unified foreign trade policy."

Establishing the Theoretical Basis for the Trade Pattern of a "Domestic Liberalization and Unified Foreign Trade Policy."

The foreign trade system is an important integral part of the national economic system, directly conditioned by the developmental level of China's productive forces and its socioeconomic relations. Its theoretical basis can only be rooted in the character and basic features of China's socialist economy.

The CPC Central Committee pointed out in its "Resolution on the Reform of the Economic System" that China is practicing a planned commodity economy built on the foundation of the socialist system of public ownership. Since it is a commodity economy, social production will of necessity have certain traits of a commodity nature. Everybody knows that at the current stage of development, the development of China's social productive forces are still at a low level, and that specialization is also not extensive. There are still different economic forms and different types of ownership in the composite of our social economy. Labor is still a means of life and not life's prime want. The products of labor can only be exchanged as commodities, which is why the law of value and competition play an important role in our social and economic life. Although there is essentially an identity of interests between state and enterprises and between the enterprises themselves, yet certain differences in economic interests are still bound to exist. Neither the state nor the enterprises can possess the fruits of someone else's labor without compensation. In economic respects the relationship between them can only be one of commodities and currency; exchanges of equal value and distribution according to work are still current practice and principle. This difference in economic interests between state and enterprises and between the enterprises themselves is objectively placing the enterprises into a relatively independent economic position and giving them autonomy in matters of production and business operations. The difference between the foreign trade enterprise and any other enterprise is merely one of social division of labor; there is no difference in innate character, and the ordinary enterprise too is of a relatively independent nature, and has the right to conduct its business affairs independently. China's social productive forces and the multilevel structure of the ownership system, and this kind of relatively independent economic status of the foreign trade enterprises, determines that we must respect the autonomy of enterprises, consciously apply the law of value, and that we must fully mobilize the enthusiasm, initiative and creativity of the enterprises and of their staff and workers, so as to turn our enterprises into an organizational entity full of abundant dynamic force and vitality.

For a long time past, however, due to a lack of scientific understanding of the socioeconomic character of socialism, we regarded commodity economy and planned economy as two contrasting opposites. We negated the relatively independent economic position of enterprises, ignored the function of the law of value, and essentially adopted the Soviet state-monopolistic foreign trade system as theoretical basis for the management of our foreign trade. We

confused and mixed together the right to foreign trade and the right of business management, with the result that there was no separation of government administration and enterprise management, that government administration assumed the position of enterprise management, that enterprises became the slaves of planning, and that all vitality was lost in the "abacus beads" of the administrative departments in charge.

It must be pointed out that according to the Soviet state-monopolistic foreign trade system "all business affairs of the foreign trade was centralized in the hands of specialized state organs." (Footnote 2) (The Soviet "Textbook of Political Economics," People's Publishing House, Chinese edition, Vol 2, p 597) This amounts to a fundamental denial of the relatively independent economic status of enterprises, a denial of the division of state and enterprises, of government administration and business management, of ownership right and right of business operation, and a denial of the due autonomy of enterprises. Consequently, this way of thinking also denies the objective need for the mobilization of enthusiasm in the enterprises. It is therefore necessary for us now to start out from the national conditions of China and the realities of foreign trade, and courageously reform the traditional pattern of a state-monopolistic foreign trade system.

China's socialist planned commodity economy has not only the attributes of a commodity character, but is also of a planned nature. This is the basic difference of the socialist commodity economy from simple commodity economy and from the capitalist commodity economy. The system of public ownership is the material foundation of the socialist commodity economy, an economy which is developed with planning, guidance and leadership; it is certainly not a state of blind, irrational anarchism. The fundamental economic laws of socialism and its laws of planned development play the decisive role in the entire socioeconomic life. A state that represents the basic interests of all its workers must and can, therefore, distribute social work and the means of production in a planned way according to social needs. It can regulate in a planned way all socioeconomic activities, and can maintain the harmonious development of all departments of the national economy and appropriate proportions between them. This kind of planned regulation of the national economy carried out by the state demands objectively that the economic activities of all departments, all localities and all enterprises must conform and submit to the overall interests of the nation, and demands that foreign trade must adhere to the principle of a unified foreign trade policy in dealing with the outside world. This is so because only by carrying out a unified foreign trade policy can we achieve a concentration of all our strong points, enhance our international competitive strength in foreign trade, and raise economic results. Only by carrying out a unified foreign trade policy can we ensure the realization of the unified plan for our national economy and conduct a fully effective foreign trade. It is also only by carrying out a unified foreign trade policy that we can implement more effectively our policy of independence, self-determination and of self-reliance in our reconstruction, and that we can firmly adhere to the socialist direction in our foreign trade. It is evident that implementing the principle of a unified foreign trade policy, in our foreign trade, is not only an inherent demand of our planned economy, but also the fundamental guarantee for the consolidation and development of our foreign trade relations.

Foreign trade is a bond and bridge of economic relations that connects China with other countries, and in this role must be subject to the control by our planned economy, as it is also subject to the control by the laws of international trade development. In establishing a scientific pattern of a foreign trade system we must therefore not only start out from the developmental level of our domestic productive forces and the objective needs of our socioeconomic relations, but at the same time give consideration to the trends and demands of the international trade development. We all know that the commodity exchanges of foreign trade are mainly carried out in the international markets, and that the international law of value plays the decisive role in these commodity exchanges. That market "recognizes no other authority than the authority of competition." (Footnote 3) (Marx: "Das Kapital," Vol 1, p 394) Whatever its social system, the country that participates in international trade must immerse itself into the whirlpool of international competition, undergo the test of the international law of value and accept its decision. These conditions require of anyone who is determined to defy defeat in the fierce international competition that he possess a high degree of international competitiveness. In modern international trade a country's competitive strength is made up of a variety of factors; there is the quality and production cost of the product, as also the selection and application of the mode of trading and means of marketing; there is the gathering and feedback of market information, as also the improvement and level of production technology; there is the deployment and adaptability of the qualified personnel of the enterprises, as also the appropriateness of the country's trade strategy, trade policy and economic regulatory measures. It is for these reasons that many countries participating in modern international trade not only adopt various economic regulatory measures to promptly adjust the structure of their domestic production and technology, accelerate renovation of equipment, incessantly improve product quality, reduce costs, also develop new products, and, furthermore, make use of the political power of the state for direct interventions in the import-export activities of the enterprises in the international market, to support and protect the competitive status of the enterprises. This is an important trend and peculiarity in the current development of international trade. These conditions make it necessary for the further development of China's foreign trade that the enterprises which directly participate in the international competition have a full measure of enthusiasm, creativity, and adaptability, and that their enthusiasm be fully mobilized. Because it is only with a total mobilization of enthusiasm on the part of the enterprises that it will be possible to have abundant resources of highly competitive goods, that we will be able to train and bring up a large contingent of highly qualified marketing personnel, fully familiar with and competent in all modes of trading and means of competition, that we can open up a new path for the integration of industry with trade and of technology with trade, and that we will be able to create a new overall situation in China's foreign trade. The reform of our foreign trade, therefore, must focus on the enterprises and aim at injecting a high degree of vitality into them.

However, enthusiasm on the part of the enterprises alone without unified guidance and centralized control by the state is also not workable, because in the relation of state interests and enterprise interests, the enterprises are

apt to give more consideration to their own interests and to easily neglect the interests of the state. The field of vision of enterprises is likely to be comparatively narrow, and they may show extensive limitations and insensibility in their conception of the international market, and consequently experience certain difficulties in accurately handling and utilizing the laws of fluctuations and developmental trends of the international market. It is therefore necessary that the full mobilization of the enthusiasm of the enterprises be accompanied by guidance and supervision by the state, exercised within the framework of its macroeconomic strategy. Otherwise, problems may arise in the occurrence of mutual competition between enterprises in the international market and a generally confused state of affairs, resulting in a weakening and even stifling of China's competitiveness in foreign trade. In a certain sense, the "vitality" of the enterprises is actually a kind of competitiveness. However, practice has proven that this competitiveness of the enterprises is only an individual, dispersed, and therefore latent competitiveness, not a concentrated, overall, and really effective competitiveness. To convert this individual, dispersed and latent competitiveness into one of real effectiveness, it is necessary to enforce the principle of a unified foreign trade policy. If one were to avoid action on this line, and if one were only to confine oneself to coining fine phrases about arousing the enthusiasm of the enterprises, if one only asks for "vitality" in the enterprises without a "unified policy" of the state, or if one were even to go so far as to allow every enterprise to plunge into the international market single-handed, "a single rider with only one lance," to engage in free competition, even an enterprise with the highest enthusiasm and vitality would still be crushed by the international bourgeoisie, and in the end the so-called mobilization of enterprise enthusiasm would become nothing but an empty phrase. The historical experiences tell us that in our foreign trade a united front is the source of our strength and that unity is the guarantee for victory. Only by upholding a unified foreign trade policy can we more effectively bring into play and safeguard the enthusiasm of the enterprises, and can we gather together the vitality created in the domestic production and business operations of the enterprises into effective international competitiveness. This international competitiveness in turn will further strengthen the vitality of the enterprises and open up a broader field of activity.

The above analysis explains that the establishment of a foreign trade pattern of "domestic liberalization with a unified foreign trade policy" is not only an inherent demand of our planned economy, but also an objective demand of the international trade development. It not only embodies the basic characteristics of China's foreign trade, but also embodies the policy of the central authorities of opening up toward the outside world and of invigorating the domestic economy. The gradual establishment of a foreign trade pattern of "domestic liberalization with a unified foreign trade policy," it seems, can be a the most ideal pattern and objective for China's reform of the foreign trade system.

Tentative Ideas for the Establishment of a Pattern of "Domestic Liberalization Combined with a Unified Foreign Trade Policy."

Establishing a foreign trade pattern of "domestic liberalization combined with a unified foreign trade policy" is a very large project of system engineering, which requires us to start out from the machinery of foreign trade activities and its essential parts, and also to consider a variety of related factors. Here, we can only probe into the problem from six high-level aspects:

1. The System of Policy-Making. This consists mainly of two levels, the state and the enterprises, the state occupying the dominant position in policy-making. All matters falling within the scope of state control: government administration and law, strategy and tactics, general and specific policies, planning and statistics, foreign exchange, pricing, taxation, exchange rates, allotments, quotas, licensing, trading countries and territories, large and medium-size projects and major economic regulatory measures, all these must be subject to the centralized decision-making of the state, which will also have to organize execution. The enterprises must unconditionally carry out the state's foreign trade decisions. For this purpose, the foreign trade control organs at all levels must be reformed and strengthened, enabling them to represent the state and fully perform all control and supervisory functions of the state. On the other hand, all internal managerial work within the enterprises and all questions concerning their domestic business operations, including the internal structural establishment, deployment of staff, wages and welfare, all managerial rules and regulations, supply, production, and marketing as well as the pattern of business operations must be independently decided by the enterprises and arranged for by the enterprises themselves, according to relevant policies and decrees of the state, and no foreign trade control organ of whatever rank must rashly interfere in these matters. To attain this objective, it is necessary to separate the functions of the government administration from those of the enterprise management, and allow the enterprises to assume a relatively independent position. However, the separation of government administration and enterprise management must not be merely an organizational formality; we must not have "one set of a rider and horse, but with two labels," but the separation must be one of assigning different functions to the state and to the enterprises, especially a separation of decision-making powers. The macroeconomic decision-making power rests with the state, the microeconomic decision-making power rests with the enterprises. These are decision-making powers of different character, with different scopes, and different functions. The former bases mainly on the law of socialist planned development, while the latter bases mainly on the law of value. The two condition one another and supplement one another. The plan itself is a policy decision, and indeed a highly important policy decision. The separation of government administration and enterprise management must therefore first of all be carried out in the reform of the system of foreign trade planning. It must be the gradual implementation of a policy of "three primary and three subsidiary" items, namely guidance-style planning to be primary, directive-style planning to be subsidiary; comprehensive value targets to be primary, commodity quantity targets to be subsidiary; export exchange receipt targets to be primary, supply of goods targets to be subsidiary. Moreover, the export plan and economic result targets should be issued to the lower levels of the

administration at the same time and evaluated together. This method will enable the state to control the scope and speed of foreign trade development from beginning to end and be in control of the overall situation, as it will also allow a comparatively large room for maneuvering for the business activities of the enterprises, enabling them to bring their enthusiasm in independent business operations and their initiative fully to bear.

2. The System of Dynamic Force. Establishing a system of dynamic force in foreign trade, with the enterprises as the principal subjects, with responsibility the foremost factor, and with a combination of responsibility, power and interests, is one of the important parts of the reform of our foreign trade system. Dynamic force is the source of vitality, vitality is the manifestation of dynamic force. An enterprise is a cell in the national economy, with a relatively independent economic position and with its own special economic interests. Since it is the source of dynamic force, also the seat of vitality, the establishment of a dynamic system of foreign trade must take the enterprise as its principal subject. Not only that, in a certain sense, pressure is also a kind of dynamic force. The relationship between pressure, vitality and dynamic force is actually the relationship in the combination of responsibility, power, and interests, as they are in also, correspondingly, the products of responsibility, power, and interests. What is meant by building up the essence of a system of foreign trade dynamic force is, then, effecting a combination of responsibility, power, and interests, according to the principle of measuring out responsibility according to authority and measuring out interests according to responsibility. Judging by the actual conditions of China's reform of its foreign trade system, no great breakthrough has so far been achieved in this question. We must therefore actively create the preconditions in the external and internal affairs of the enterprises, so that the problem of creating a dynamic force in the development of foreign trade may be solved as soon as possible.

First, we must shift from profit-delivery to taxation, change the dependent status of the enterprises and raise them to economic independence, to become viable organisms.

Second, we must unfold rational competition in domestic production and business operations, select the fittest for our support and apply a kind of life-and-death pressure on the enterprises, thereby instilling vitality in their production and business operations.

Third, following the simplification of government administration and the delegation of powers, we must effectively implement the principles of the contract responsibility system, of allowing the enterprises independent business operations, independent business accounting, responsibility for their own profits and losses, of implementing exchanges at equal value, and of distribution according to work, thereby mobilizing the enthusiasm of the enterprises and of their staff and workers.

Fourth, we must distinctly demarcate rewards and penalties; policies must be actually carried out. According to the extent to which enterprises carry out state policies and fulfill state plans, and according to the economic results that are achieved, cases must be rewarded or penalized according to their

deserts. Great contributions must be greatly rewarded, serious shortcomings must be seriously penalized. Cases of extremely poor business management must be closed down, suspended, merged or retooled. Violations of criminal law must be punished according to law.

3. The Regulatory System. Regulation in this context refers to such regulation that will increase economic results from foreign trade and effectively deal with the varying economic interests between various quarters. This mainly comprises such regulatory means as government administration, law and economic regulations, as well as the mechanism of their applications. Administrative regulation mainly refers to the role of the state's planning, general and specific policies as well as its various types of directives. Legal regulation is the important guarantee by the state for the other two, the administrative and the economic regulations. Economic regulation, finally, is the use of a mechanism of important economic measures, such as wages, prices, interests and exchange rates (internally), items within the sphere of value, as well as support, encouragements and rewards, and economic sanctions to effect regulation. The essence of economic regulation is the conscious use of the law of value, and the use of prices and taxation as the main means of regulation to promote the development of foreign trade.

Prices reflect the value of the commodity expressed in currency. For export commodities there exist two scales to measure value, namely the domestic and the international scale of value; in exchanges they are measured according to the international value. Prices for export commodities must therefore be determined on the basis of the law of value and as far as possible be close to or even equal to the international value of the commodities. This will not only have the beneficial effect of forcing the enterprises to demand of themselves their greatest efforts to improve production technology and product quality to conform with the standards set by the international values, but will also have the beneficial effect of exposing the enterprises to the fierce international competition, have them measure up to international standards, have them enhance their competence through trials and hardship, and have them unceasingly improve the level of their business management and competitiveness. At the same time, we must also break down the constraints of departmental interests, stress the need to start out from the overall interests of the nation in weighing advantages and disadvantages. We must not limit our accounting to one as between departments, and play the farce of shifting profits and losses between the interests of departments. That means, that whatever can be profitably exported must be exported, even if a particular department or unit should suffer a loss. This is the principle of the unified foreign trade policy as applied specifically and showing up in the determination of export commodity prices. Along this line of thinking, this writer believes that the following points should be considered in controlling prices for import-export commodities:

(1) The prices of all import commodities and export commodities manufactured by processing imported raw or semifinished materials should be directly linked to international market prices, such as products processed from imported materials, and Chinese products which command a monopoly position in the international market, etc.

(2) The method of linking prices with those in the international market should also be tried out for all export commodities manufactured under directive-type planning of the state (about 100 types). Losses thereby incurred by the enterprises should be made good by subsidies from the state treasury or by tax exemptions or tax refunds.

(3) For commodities manufactured under guidance-type planning, as long as manufactured from domestically produced raw and semifinished materials, a system of two sets of prices, one domestic and one for abroad, should in principle be continued, and enterprises shall be free to determine these prices on the basis of their production costs.

(4) On the premise of not exceeding the upper limits (in the case of import prices) set by the state or lowering prices (in the case of export prices) below the lower limits set by the state, the enterprises should be free to determine their prices according to supply and demand in the international market.

(5) The enterprises may freely fix prices for overseas sales in the case of new or small commodities and for unplanned commodities which enjoy good sales abroad, which are exported at a profit and for which there are domestic sources.

Tax revenue is the major source of state income. It is also an important means of economic regulation, to regulate the direction of enterprise production and business operations, and to guide the enterprises in the fulfillment of their tasks under the state export plan. This regulatory means must therefore be used scientifically, according to the larger or smaller value of the various kinds of commodities, according to the requirements of our different policies for different countries and territories, and according to the developmental needs of the national economy. The following points might be considered in the control of taxation of import-export commodities:

(1) Commodities that are exported at minimal profits or at cost, but which have good prospects, should be exempted from customs duty or have tax (products tax) refunded, as a means of supporting production, expanding exports, consolidating or opening up markets, thus providing favorable conditions for future development.

(2) Export commodities that yield much foreign exchange and high profits should be taxed an adjustment or ad valorem tax, to provide a gradual solution for the problem of an excessive disparity in income between enterprises, created by differences in natural conditions or irrational prices, so that all enterprises start out from the same starting line in their mutual competition.

(3) Products manufactured from imported materials and a large part of industrial products, especially durable consumer goods, machinery and equipment, should be exempt from customs duty and should have their adjustment and ad valorem tax refunded.

(4) For import commodities different tax categories and different tax (customs) rates should be applied, or tax exemptions prescribed, depending on

the different positions they demand in the national economy, and according to our varying policies as they apply to the different exporting countries. In principle, any industrially manufactured product or high-grade consumer goods item for daily use should be subject to a comparatively high specific duty rate. For all raw and semifinished materials in the nature of natural resources products, a comparatively low ad valorem duty should be prescribed, and for technological equipment, all kinds of components and materials for agricultural use the very lowest duty rates should be fixed. Technology- or knowledge-intensive products, should be prescribed, while generally applicable technologies, scientific instruments, reagents, library materials, instructional equipment, medical articles, and sporting goods should be exempt from customs duty. To sum up, the adjustment of the tax and duty policy and the determination of tax categories, tax brackets, and tax rates must, on the one hand, protect the national industry, and on the other hand be beneficial for the expansion of exports. It must be beneficial for our opening up to the autside world, and on the other hand also have a beneficial effect invigorating our domestic economy. There must be no emphasis on one thing at the expense of the other, and even less consideration must be paid to achieve immediate financial profits.

4. The Business System. Establishing a system for foreign trade operations around specialized foreign trade corporations as principal subjects, a system which will combine multilevel, multipattern, and multichannel business operations for a long time to come, is the important task of our reform of the foreign trade system. At the core of these business operations is the right of the enterprises to conduct their business operations independently and with freedom to set up business organizations in a variety of patterns. We must therefore radically change the monopolistic operations of the specialized foreign trade corporations, the state of "having only one solitary flower blooming forth," but must rather develop a large variety of forms that will joint together in business. The scope of joint business operations shall not be limited by departmental, territorial, national or ownership system restrictions. Regardless of their ownership by the whole people or by collectives, all enterprises may engage in import and export business as long as certain conditions are met and as long as they are approved by the competent authority; they may all freely select their business counterparts, voluntarily organize various kinds of joint economic entities, and directly deal with the outside world.

The export transaction is a decisive link in the foreign trade business operation, as it is also the key in the implementation of the unified foreign trade policy. As we open up and seek to invigorate our foreign trade, it is necessary for us to establish certain foreign trade transaction centers, mainly based in the major cities that have been opened up along the coast, and, furthermore, establish certain foreign trade business centers, mainly based at the key cities in the interior provinces and autonomous regions. This would bring the reform of the foreign trade system in line with the objectives and dispositions of the reform of our national economic system and complement it to form an overall coordinated system. This will also enable us to bring the industrial and economic activities of the interior provinces and autonomous regions into the unifying orbit of the various foreign trade business centers, and to bring all overseas sales and import transactions into

the orbit of the foreign trade transaction centers. After an appropriate division of labor according to the rational flow line of the commodities and traditional relations, we shall then also establish fixed business relations between the various foreign trade business organizations and the business centers and transaction centers. In this way we can ensure in organizational respects that our efforts at invigorating the foreign trade business will at the same time be accompanied by the realization of a unified stand toward the outside world.

After establishing a system for foreign trade business, the relationship between the various types of enterprises authorized to engage in foreign trade and the other production enterprises will in the future mainly become a relationship of partners in joint operations, to a lesser extent a commission and agency relationship, and to an even lesser extent a purchase and sales relationship.

5. The Service System. The service system in foreign trade refers to a system of specialized economic organizations, engaged particularly in serving foreign trade operations, and operating outside of the sphere of government administrative controls. It is mainly composed of enterprises in the foreign trade warehouse and storage, transportation, packing, advertising, information, product development, port and wharf business. Its task is essentially to provide various specialized services and be available for consultations to various enterprises, helping them to efficiently conduct imports and exports, also to support and guide the development and production of export commodities, and to promote greater economic results from export trade. Establishing a foreign trade service system requires that attention be given to the effective performance of the following work:

First, establishment of a national corporation for overall services to foreign trade for the purpose of drawing up a unified plan, achieve an overall balance, and make appropriate arrangements for all specialized services in all sectors, and have these services correspond to the scope and growth of foreign trade developments. The national corporation may set up branch corporations or agencies in key cities in China and abroad, to be in charge of the work of planning, coordinating, and managing various kinds of foreign trade activities and provide facilities for such. The national corporation must be an economic entity, and the national corporation and its branch corporations shall carry out separate accounting, each with responsibility for its own profits and losses. As to the specific service operations, they shall be undertaken by the various specialized foreign trade service corporations set up in the various regions, such as foreign trade transportation corporations, foreign trade packing corporations, foreign trade advertising corporations, etc. The relationship between the various foreign trade import-export corporations, the production enterprises authorized to engage in foreign trade and their joint entities, and the various foreign trade service corporations shall be commission and agency relations. All import-export corporations and the production enterprises authorized to engage in foreign trade may freely entrust such commissions or contract such agencies without any territorial restrictions.

Second, we must establish state, local, and overseas multilevel international economic affairs and trade information centers, also a network for information on international market condition, to provide the leading organs at all levels and all the various foreign trade enterprises with information from all quarters on international economic affairs and trade and to be available for consultations on foreign trade affairs.

Third, we must establish a national corporation for the development of export commodity resources, which shall assist in the development of new commodities. This corporation shall institute important measures to gradually change the composition of China's export commodities, to expand the sources of export goods and to increase the economic results from export trade. The main tasks of the national development corporation shall be to provide the production enterprises with information on commodities and technologies, to carry out overall planning and arrangements for development projects, to organize important scientific and technological research, to examine and approve the granting of funds and loans for development projects, to be in charge of the examination, testing, acceptance and appraisal of project results, and also to arrange for the widest application of such results.

The Organizational System. The organizational system of foreign trade is the organizational, structural form in which foreign trade is moving along. It is constituted by the combination of the management system and the business system. Focusing on the management system aspect, we see that it is comprised mainly of the following:

(1) The system of administrative supervision and control by the state, which is composed of the ministry of foreign economic relations and trade, the economic and trade departments (bureaus), the customs service, the commodity inspection service, special agency offices, and the Bank of China.

(2) The system of coordination and control of foreign trade operations, composed of the relevant specialized national foreign trade corporations and the foreign trade transaction centers. Their main function is to exercise coordination, guidance and supervision, similar to trade associations, of overlapping business operations in the same line of commodities, also with regard to plans, markets, prices, and allotments and quotas.

(3) The system of comprehensive services to foreign trade operations, mainly composed of the national comprehensive foreign trade service corporation and its branch organizations, the centers for international trade information and the various specialized foreign trade service corporations.

(4) The system of developing export commodity resources, composed of the national development corporation, its branch corporations or agencies.

All these systems are vertically-oriented. Their main task is to represent the state in the exercise of state control over foreign trade work and economic regulation, to have direct contact with the foreign trade centers and transaction centers, to effect guidance, coordination, service and supervision with regard to the foreign trade activities of the enterprises and to support and ensure the legitimate operations of the enterprises.

Focusing on the business system, we see main four channels, namely:

(1) The specialized import and export trade corporations;

(2) The joint entities of foreign trade corporations with production enterprises;

(3) The production enterprises authorized to engage in foreign trade and their joint entities;

(4) Economic organizations with coordinated processes of supply, production and marketing and combining foreign trade, production and scientific research.

The professional and business activities of these business organizations must all be directed on to the proper course of business through the foreign trade centers and transaction centers. The relations between the said organizations and the two "centers" and the relations between the said organizations themselves are merely horizontal relations of business intercourse, and not vertical relations of mutual subordination.

As the above-stated foreign trade control systems and business operation systems exist in a crisscross pattern of vertical and horizontal relations, they interact with each other, complement each other and constitute an organic entity, with the effect of moving foreign trade activities along according to certain procedures and channels, and in conformity with a regular pattern, thereby achieving a state of unity without deadly rigidity and brisk activity without anarchy.

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CSO: 4006/735

FOREIGN TRADE AND INVESTMENT

JIANGXI EXPORTS RISE AFTER LINKING TRADE TO INDUSTRY

Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1

/Article by Chen Zhen /6186 6966/: "Jiangxi Sees Results from Integrating Industrial and Trade Management"/

/Text/ Jiangxi Province has actively started to integrate industrial and trade management to promote export production. In the first 9 months of this year export production for enterprises that have merged industry and trade was worth more than 18 million yuan, an increase of 98.7 percent over the period before management was integrated.

Since 1981, Jiangxi's foreign trade department has invested 8.7 million yuan and along with 16 industrial plants has opened up export enterprises under joint management. Among products exported were work gloves, cotton yarn, textiles, clothing, hogs, and pearls. At present, there are already eight enterprises operating that have merged management of trade and industry. Although doing business only 1 or 2 years, the superiority of integrated management is clearly evident as both sides are relatively pleased. Not only is the foreign trade department obtaining a proportional share of the profits, but sources of export products are increasing and product quality is rising as well.

To strengthen the competitveness of exports from enterprises that are integrating industrial and trade management, the foreign trade sector is providing excellent service and is actively helping factories attract advanced technology. After the Nanchang People's Printing Plant, which has an integrated management, brought in an electronic color scanner, an offset press, and production line soft plastic packaging equipment, production capability and quality rose greatly. At present, 70 percent of its production is for export and it is responsible for one-third of the printed packaging exported from Jiangxi. After the Huibu breeding facility in Gaojan County integrated industrial and trade management, exports of fine hog breeds increased significantly. Of its present exports, 70 percent or so are fine hog breeds, placing it in the front rank of the province. The Jiangxi Light Indutrial Import-Export Corp, organized some of the

factory staff of a work glove enterprise, which has integrated trade and industrial management, to visit America and explore markets. They have invited commercial clients to send technicians to visit their plant and direct production. Furthermore, they have brought in from Japan advanced sewing equipment and specialized pattern tools which have helped raise product quality. At present, there are two work glove operations that have integrated industry and trade; their products have become the provincial standards and they are highly regarded abroad.

13030/12276
CSO: 4006/451

FOREIGN TRADE AND INVESTMENT

BRIEFS

XIZANG DELEGATION TO NEPAL--Lhasa, March 5 (XINHUA)--A delegation composed of leading officials in commerce, economy, tourism and foreign trade of the Tibet Autonomous Region left here today on a seven-day visit to Nepal. Led by Gyamco, vice-chairman of the Tibet regional people's government, the delegation will discuss ways to promote trade with Nepal and expand bilateral cooperation in the fields of economy, technology, tourism and aviation. [Text] [Beijing XINHUA in English 1649 GMT 5 Mar 86 OW] /6662

FIRST INTERNATIONAL MACHINERY EXHIBIT--Gematex '86, the first international general machinery exhibition in China, will be held in Nanjing in November, an official of the China National General Machinery Engineering Corporation told CHINA DAILY yesterday. The exhibition, jointly organized by the General Machinery Development Co Ltd of Hong Kong and the Jiangsu International Exhibition Corporation, will display advanced technology and machinery. About 30 percent of the exhibits will be domestically produced machines. So far, about 100 foreign companies had been invited to take part. The machinery industry is an important sector in Jiangsu's economy. [Text] [Beijing CHINA DAILY in English 5 Mar 86 p 2 HK] /6662

FOREIGN TRADE SEMINAR OPENS--Shanghai, March 1 (XINHUA)--Shanghai's annual foreign trade seminar to display export goods produced in this biggest industrial city of China opened here today. More than 2,300 foreign business people from over 80 countries and regions will attend the ten-day seminar, the most since 1983 when the seminar was first held, according to Guo Zhongyan, deputy manager of the Shanghai Foreign Trade Company, the sponsor. On display are more than 2,000 exhibits from 55 enterprises producing textile and light industry products, hardware, minerals, steel and iron, vessels, cars, electronic instruments, petrochemical products, cereals, edible oil and animal by-products. The seminar will also deal with barter trade, compensation trade, co-operative production, joint-ventures, technical transfer and financial investment. Shanghai exported a total of 3.3 billion U.S. dollars worth of goods last year and expects to have a nine percent increase this year. [Text [Beijing XINHUA in English 1534 GMT 1 Mar 86 OW] /6662

HAINAN DAO DOUBLES EXPORTS--Guangzhou, March 5 (XINHUA)--Hainan, China's second largest island, exported goods valued at 76 million U.S. dollars in 1985, double that of 1984. The tropical island is making use of its favorable climate and abundant natural resources to develop its economy. Transportation,

communications and energy faciliites have been improved in recent years. Tea, cashew nut, pineapple, coconut products and natural rubber are its main export commodities. Now 8,000 hectares of cashew nut trees have been planted in southwestern Hainan and 170,000 kg of the nuts were exported in 1985. Ilmenite, an iron titanium ore, is found along 500 km of coastline. Last year, 30,000 tons of the concentrated ore were exported. Hainan also supplies Hong Kong with vegetables and fruit. [Text] [Beijing XINHUA in English 0743 GMT 5 Mar 86 OW] /6662

TIANJIN JOINT VENTURES--Tianjin, March 5 (XINHUA)--Twenty Sino-foreign joint ventures are expected to go into operation this year at the Tianjin economic and technological development zone, the zone director said here today. In addition, 30 more joint venture contracts will be signed this year, he said. Wang Rongchun made the remarks at a ceremony celebrating the completion of the first standard workshop for a Sino-Denmark joint venture to produce protable bicycles. Tianjin, an important port and one of the 14 coastal cities open to foreign investments, designated a three-square meter area specially for the purpose. Two Sino-Japan joint ventures--an offshore engineering service company and an advertising company--went into operation earlier last year. He said two other standard workshop areas for eight joint ventures have also been completed. The official said the roads have been built and water and electricity supply facilities are available in the development zone. [Text] [Beijing XINHUA in English 1906 GMT 5 Mar 86 OW] /6662

NANJING SILK PRODUCTS FAIR--Nanjing, March 4 (XINHUA)--Over 200 overseas businessmen showed up at a silk export fair which opened here today. They came mainly from Western Europe, the United States, Japan, Singapore and Hong Kong and Macao. Organized by the China Silk Company, the seven-day fair displayed an array of products contributed by 16 provinces and cities. China is a leading silk exporter in the world, taking about 40 percent share of the world silk market. It exported 930 million U.S. dollar worth of products last year. The fair official expected good transactions at the current fair. [Text] [Beijing XINHUA in English 1320 GMT 4 Mar 86 OW] /6662

JIANGSU EXPORT TRADE FAIR--Nanjing, March 1 (XINHUA)--East China's Jiangsu Province has proposed 67 economic and technological projects for cooperation with overseas firms during a 12-day export fair that opened here today. Cooperation covers such areas as light industry, textiles, chemicals, pharmaceuticals, electronics, machine-building, commerce and aquatic products breeding, according to the provincial commission of foreign economic relations and trade. Attending the fair are 482 business people from Hong Kong, Macao and foreign countries. They can choose from 21,000 Jiangsu commodities displayed at an exhibition center in this capital of Jiangsu. Jiangsu, one of China's most economically developed areas, earned about 1.56 billion U.S. dollars from exports last year--up five percent from the year before. [Text] [Beijing XINHUA in English 1611 GMT 1 Mar 86 OW] /6662

JILIN CORN EXPORTS RISE--Jilin Province is actively exporting corn. As of 20 October total corn exports had reached 1.16 million tons which is 128.9 percent of planned exports for the year. It is calculated that production for the entire year could reach 1.7 million tons, making Jilin the leading exporter of corn in the nation. Because Jilin is a major corn-growing region, Jilin's government formed a leadership group for grain exports, which has established a corn export office. Each city, prefecture, and county has set up corresponding organizations so that the export of corn is organized from its source to its shipment into a unified process. The grain and rail transport departments are putting all their energy into a plan that would give corn exports shipping priority. Also the Qinhunag Island harbor service bureau is transforming the Ganjingzi dock into a dock exclusively for corn exports to guarantee they are loaded and shipped at the right time. Foreign trade departments treat corn exports as their central duty. With volume so heavy, it is urgent that quality be under control, so in cooperation with the grain department, lab technician and shipper training classes have been arranged. Furthermore, on several occasions leaders of the provincial trade committee and of a branch of the agricultural products import and export corporation have gone to Dalian and Qinhuang Island port as well as to other cities and counties to receive, organize, and load goods on a ship to guarantee the completion of a corn shipment. /Text/ /Beijing GUOJI SHANGBAO in Chinese 7 Nov 85 p 1/ 13030/12276

CSO: 4006/451

LABOR AND WAGES

ECONOMIC REFORMS OPEN NEW CAREERS FOR WOMEN

OW080816 Beijing XINHUA in English 0743 GMT 8 Mar 86

[Text] Beijing, March 8 (XINHUA)--China's current economic reforms are presenting women with new career prospects, women's leader Luo Qiong said in an article in today's PEOPLE'S DAILY.

Luo, former vice-president of the All-China Women's Federation, described Chinese women as "a motive force for promoting the reforms and social progress, and invigorating the national economy."

She urged the authorities to build more kindergartens, nurseries and other social facilities to help free more women from household chores, and at the same time protect their legitimate rights and interests.

Luo pointed out that more than half the rural industrial workforce of 60 million was female, and women were also engaged in all other sectors of the rural economy.

In all, China had 42 million women working in state-run and collective businesses at the end of 1984, or 36.5 percent of the total, compared with 32.7 percent in 1978 before the reforms were implemented.

And there were 2,396,000 female scientists and technicians at the end of 1984--32.1 percent of the total and 724,000 more than in 1978.

Many women had assumed the posts of business executives across the country. The Shenzhen Special Economic Zone in Guangdong Province now had 128 manageresses and women factory directors.

Luo added that large numbers of urban and rural women were now studying general knowledge and science to improve their skills, and many were taking technical training courses.

Most cities had built children's recreational centers in recent years as part of the government's efforts to improve child-care facilities. According to statistics based in 14 provinces, there are 11,400 schools offering after-school programs for parents.
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CSO: 4020/247

LABOR AND WAGES

STATUS OF 2 MILLION FEMALE TECHNICIANS IMPROVES

OW061947 Beijing XINHUA in English 1921 GMT 6 Mar 86

[Text] Beijing, March 6 (XINHUA)--There are 2.39 million women scientists and technicians in China, accounting for one third of the country's total, the overseas edition of PEOPLE'S DAILY reported today.

"Women are playing an increasingly important role in enterprises, research institutions, schools and all trades," Zhang Guoying, vice-chairwoman of the All-China Women's Federation, told the newspaper.

According to PEOPLE'S DAILY, 14 Chinese women scientists have received PH.D. degrees since they were reintroduced in China in 1981. Four are doctors of science, five are engineers and another five are doctors of medicine.

More than 3,500 women technicians have received master's degrees since they were reintroduced in 1979. One out of 12 persons in China with a master's degree is a woman.

Among the two million professional women in Shanghai, China's largest industrial center, 200 have been named "outstanding women," an honor given by the municipal women's federation and the scientists and technicians association. Most of the honored women have been science workers.

"Many Chinese women are pursuing their own careers, successes and honors as their values have changed in the nationwide economic reform," Zhang said, adding that the number of these "new women" is growing.

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CSO: 4020/247

LABOR AND WAGES

HEILONGJIANG TRAINS RURAL WOMEN IN NEW SKILLS

OW110924 Beijing XINHUA in English 0740 GMT 11 Mar 86

[Text] Harbin, March 11 (XINHUA)--Three-fifths of the five million rural women in Heilongjiang Province are being trained in skills, an official of the provincial women's federation said here today.

Women in this China's coldest province, where the winter lasts for half a year, used to stay at home to look after children and do housework.

But about 70 percent of the rural women have been engaged in farming, livestock-breeding, knitting and sewing since 1979, when the nationwide rural economic reform took root in the province.

Most rural women earn as much as men and 30 percent of them earn much more than men, the official said.

Many women aged between 18 and 45 want to learn one or two kills to improve their work, the official explained.

Local women's federations and administrations have set up more than 1,000 special schools to provide free courses in general knowledge, farming, sewing, knitting and management for rural women since 1983, and scientists and technicians are invited to give lectures.

One million women have received two to three years of training in schools and two million have attended various training courses of between one and six months.

In addition, the official said, 300,000 women are following the courses provided by the central broadcasting agricultural school.

After learning to plait straw in a course, women in six townships of Suihua city plaited 40,000 straw curtains and bags in two months and earned more than 50,000 yuan.

Liang Fengying, a young girl of Changqing Township, Jiamusi City, began to raise chickens last year after attending a course on poultry raising and earned 90,000 yuan that year.
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CSO: 4020/247

LABOR AND WAGES

HENAN UNION FEDERATION MEETS ON WOMENS' STAFF WORKERS

HK070923 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 5 Mar 86

[Excerpt] From 1 to 3 March the provincial Trade Union Federation held a meeting to exchange experience in work concerning women staff and workers. At the meeting, 14 units exchanged their experiences in properly carrying out work concerning women staff and workers under the situation of reform, and 144 women CPC Committee secretaries, factory managers, engineers, technicians, teachers, doctors, accountant workers, policewomen, and trade union cadres who have made great contributions to building the two civilizations were commended. The meeting also arranged the work concerning women staff and workers in 1986. Zhao Di, deputy secretary of the provincial CPC Committee, met all the delegates and delivered a speech.

In her speech Comrade Zhao Di stressed that we must strengthen ideological and political work among women staff and workers; link conducting ideological and political education among women staff and workers with conducting education among women staff and workers with conducting education on [words indistinct); link strengthening ideological and political work among women staff and workers with upgrading the quality of women staff and workers in an all-round way; link conducting communist moral integrity among women staff and workers with correctly handling the relationships between love, marriage, and family life; and improve the general social mood, so as to further bring into play the role of women staff and workers in building socialist spiritual civilization. She also demanded that party and government departments at all levels strengthen their leadership over and give support to work concerning women staff and workers so as to create necessary conditions for properly carrying out the work.

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CSO: 4006/805

LABOR AND WAGES

HOME HELPERS LIGHTEN HOUSEWORK FOR BUSY WOMEN

OW051151 Beijing XINHUA in English 1022 GMT 5 Mar 86

[Text] Beijing, March 5 (XINHUA)--Unemployed youngsters and pensioners in Wuxi, Jiangsu Province, are providing neighborhood services to help lighten the housework burden on busy women.

Shopping, milk deliveries and babysitting are all performed by the home helpers, who are organized by the city's women's federation.

And lunches are provided for children whose parents do not work near home.

Families wanting help need pay only a few yuan a month for the services, said an official of the All-China Women's Federation in Beijing.

Women in Wuxi have welcomed these cheap and convenient services, said the official, and now similar schemes are being organized in Liaoning Province, Shanghai and elsewhere in China.

She said women--as mothers, wives and workers--carried a heavier burden than men, and the whole of society had a responsibility to make it lighter.

China's recent economic reforms had offered women a greater challenge, but they must have enough time to improve their skills in order to meet the challenges.

The official said there were now 530,000 nurseries caring for 18 million babies--more than a quarter of the country's total. But more were needed to help working mothers look after their young children.

Over the past two years, household service companies had been established all over the country, including the border regions of Tibet and Xinjiang. Beijing alone had 37.

The wider use of household electrical appliances and processed food was also helping to reduce the burden of housework.

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CSO: 4020/247

LABOR AND WAGES

SHANGHAI WORKERS CONTRIBUTE TO INNOVATIONS

OW060802 Beijing XINHUA in English 0709 GMT 6 Mar 86

[Text] Shanghai, March 6 (XINHUA)--Suggestions made by workers in Shanghai have resulted in an estimated profit of over 500 million yuan last year, according to the municipal federation of trade unions.

The estimation was based on a recent survey among 3,931 factories where three million workers are employed.

Among the 320,000 suggestions raised by half a million workers last year, a federation official said, 126,000 suggestions for improving management and technology were accepted.

The suggestions covered such areas as developing new products, reducing material and energy consumption, digesting imported technology, environmental protection, and quality control.

"The enthusiasm in raising suggestions on the part of the workers is an indication of their sense of responsibility, which has been enhanced by the implementation of the economic responsibility system which links the enterprises' economic performance with income of their employees," the official said.

Workers who made the proposals will be rewarded based on the estimated economic and social benefits from their proposals, according to a regulation of the city's government.

The Shanghai Tianyuan chemical plant, which adjoins a residential district with 100,000 people, leaked chlorine every summer, thus being fined and criticized by the public.

Last year the workers of the plant made suggestions to improve the operating rules and measures in an emergency, and the leak was completely prevented.

A nationwide movement towards workers making suggestions and technical innovations is in full swing. According to statistics from 14 provinces and cities including Hebei, Hunan, Beijing and Shanghai, as reported by the WORKERS DAILY, 4.4 billion yuan of profits were gained from 1,350,000 suggestions and technical innovations last year.
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CSO: 4020/247

LABOR AND WAGES

BRIEFS

ZHEJIANG EMPLOYMENT SITUATION--During the Sixth 5-Year Plan, more than 561,000 job-seeking urban youths in Zhejiang Province were employed, thus lowering the urban unemployment rate from 3.6 percent in 1980 to 1.5 percent in 1985. In the same 5-year period, more than 81,000 urban youths underwent job training program before finding jobs. [Summary] [Hangzhou ZHEJIANG RIBAO in Chinese 13 Feb 86 p 1 OW] /8918

CSO: 4006/805

TRANSPORTATION

BRIEFS

NEW TIANJIN AIR ROUTES--The Tianjin Municipal Civil Aviation Bureau decided to open two new flight routes from Tianjin to Harbin and Shanghai beginning on 16 March. Flight service from Tianjin to Harbin will be on Wednesday and Sunday, and that from Tianjin to Shanghai Monday and Thursday. [Text] [Tianjin City Service in Mandarin 1430 GMT 25 Feb 86 SK] /8918

GOVERNOR SPEAKS ON HARBOR PROJECT--According to a report by ZHEJIANG RIBAO, the construction of Dapu Harbor for sea transportation and inland navigation will start soon. Governor Xue Ju announced at the provincial discussion meeting on transportation work that the building of Dapu Harbor will be one of the key projects in the Seventh 5-Year Plan. According to the plan, Dapu Harbor will be a port with comprehensive functions. Large, medium, and small size berths will be built there. The harbor will connect sea and inland navigation to serve foreign trade and the local economy. The first phase project will be built during the Seventh 5-Year Plan period, involving the construction of one 100,000-ton and one 1,000-ton birth each for sea transportation and 12 100-ton births along the beach for inland navigation at Dapu Township's (Qianfeigong and Paotai). The harbor will be able to handle up to 1.15 million metric tons of freight a year and the total investment is approximately 6.5 million yuan. The Jiaxing City Government has set up an office for construction of the harbor. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 6 Mar 86 OW] /8918

CSO: 4006/804

PREMIER URGES FOURTH NUCLEAR POWER PLANT

OW071047 Taipei CNA in English 1028 GMT 7 Mar 86

[Text] Taipei, 7 March (CNA)--As this country lacks natural energy sources, it is necessary to build the fourth nuclear power plant for the long-term power consumption and diversification of energy imports, Premier Yu Kuo-hwa said Friday.

The Taiwan Power Company has forecast its generation capacity will not be enough to meet the increasing demand in 1990, and must develop new power resources, Yu said, answering an interpellation of Legislator Lin Ping-shun.

Considering the long-term energy policy and investment return, he said, the plant's construction is highly feasible.

Nuclear power generation is economical and clean and 31 countries have built nuclear-power plants since [the] first energy crisis, he said. Of their plants, 336 generators have been under commercial run, and another 184 units are under construction. Their full power capacity will reach more than 300 million kilowatts, he said.

Some countries with abundant natural energy sources have also built nuclear-plants, the premier said. As 80 percent of this country's energy has been imported, construction of another nuclear-plant is a must, he added.

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CSO: 4020/255

GOVERNMENT TO CONSIDER FURTHER LOWERING OIL PRICES

OW080357 Taipei CNA in English 0309 GMT 8 Mar 86

[Text] Taipei, 7 March (CNA)--Economics Minister Lee Ta-hai said Friday that the government will consider lowering domestic oil prices if international oil prices continue to fall.

Lee made the remark in response to interpellations by legislators Hung Yu-chin and Hsiao Jui-cheng at a meeting of the Legislative Yuan.

Both Hung and Hsiao suggested that the government adjust the domestic oil prices again to comply with the current oil prices on the international markets which were lowered by an average U.S. dollar 10 per barrel. They said the government's lowering of domestic oil prices on 19 February was based on an average drop of U.S. dollar 3.6 per barrel to consumers here. Such a small scale reduction at the gas pump, they claimed, can no longer reflect the present situation.

Lee replied that the government has to take into account many conditions before working out a proper price structure. He said that the government has no reason to maintain a high price policy which may damage the nation's export competitiveness.

In fact, domestic petroleum is already cheaper than in most nations in Asia following the February adjustment, he asserted.

Meanwhile, Vice Economics Minister Li Mo said the cost of production is not the only factor deciding the oil prices. The state-run Chinese Petroleum Corporation [CPC] has to consider its obligations to the government, which include an annual contribution to the national treasury estimated at NT [new Taiwan] dollar 10 billion (U.S. dollar 250 million), he said in explaining why CPC has to sell its oil at prices much higher than its production cost.

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CSO: 4020/255

FISCAL 1987 BUDGET SENT TO LEGISLATIVE YUAN

OW151431 Taipei CNA in English 1416 GMT 15 Mar 86

[Text] Taipei, 5 March (CNA)--The central government has decided to spend 37 percent of its total budget or NT dollar 160.3 billion (about U.S. dollar 4 billion) on foreign and defense affairs in fiscal 1987. According to a budget proposal sent to the Legislative Yuan Saturday.

In fiscal 1986, the budget for foreign and defense affairs amounted to NT dollar 161.2 billion or 39 percent of the total budget.

The Executive Yuan balanced its total outlays and revenues in fiscal 1987 at NT dollar 433.2 billion, which is NT dollar 20.9 billion or 5-1 percent more than that in fiscal 1986.

The central government's expenditures on foreign and defense affairs will share the largest pie of the total budget, accounting for 37 percent, followed by 19.9 percent on economic development and communications, 16.6 percent on social welfare, 12.6 percent on education, science and cultural development, 5.6 percent on general administrative affairs, 4.1 percent on debt repayments, and 3 percent on subsidies to local governments.

Over half of the government's revenues, totaling NT dollar 246.3 billion, will come from taxes, customs and sales of government monopolized products, such as wine and tobacco. The figure is 5.5 percent less than that in fiscal 1986.

As compared to those in fiscal 1986, revenues from state run enterprises will increase by 14.6 percent to NT dollar 84.5 billion, the Executive Yuan said.

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CSO: 4020/255

TAIPOWER TO SEARCH FOR URANIUM IN U.S.

OW170331 Taipei CNA in English 0313 GMT 17 Mar 86

[Text] Washington, 16 March (CNA)--The Taiwan Power Company and Rocky Mountain Energy (RME), a leading U.S. mining company, have recently concluded their negotiations of a U.S. $15 million contract to cooperatively explore for uranium in seven U.S. states.

The contract, first time for both Taipower and RME to establish cooperative relationship with a foreign company to explore for uranium, is expected to be signed in the United States next month after the ROC Economics Ministry ratifies it.

According to Dorothy Reid, a spokesman for RME, Taipower will be responsible for one third of the cost of the 5-year project. And vice versa, Taipower will enjoy same percentage of ownership of all uranium explored under the project.

Taipower and RME agreed, Reid said, to explore into uranium in Arizona, New Mexico, Colorado, Texas, Nebraska, Wyoming, and Washington.

RME, a subsidiary of the Union Pacific Corp, a large U.S. enterprise whose business includes Union Pacific Railroad, is one of the top five U.S. mining companies, particularly known for its exploration and production of uranium.

In September 1984, the ROC entered into a contract with the United States to buy 2 billion dollars worth of uranium from the United States for its nuclear power plants in the next 30 years.

If Taipower, together with RME, can successfully find uranium, it can be provided with another reliable source of uranium.

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CSO: 4020/255

EXPORTS, IMPORTS CONTINUE TO GROW

OW080413 Taipei CNA in English 0248 GMT 8 Mar 86

[Text] Taipei, 7 March (CNA)--The Republic of China's two-way trade amounted to U.S. dollar 8.75 billion in the first 2 months of this year, representing a 10.7 percent growth over the same period in 1985, according to statistics released by the Directorate General of Budget, Accounting and Statistics [DGBAS] Friday.

The DGBAS noted that the aggregate exports were U.S. dollar 5.38 billion and imports stood at U.S. dollar 3.37 billion during the January-February period, registering 11.3 and 9.7 percent growths, respectively, over the corresponding period a year ago. The nation enjoyed a U.S. dollar 2.01 billion trade surplus.

The Executive Yuan agency analyzed that the exports of marine and other primary products totaled U.S. dollar 69 million and those of electronics, garments, shoes, metalwork, toys and other manufactured products amounted to U.S. dollar 4.63 billion, enjoying 18.5 and 10.1 percent increases respectively.

Of the imports, it noted that crude oil and other primary products accounted for U.S. dollar 810 million, decreasing by 2 percent, and electronics, chemicals, machinery equipment, steel and other manufactured products totaled U.S. dollar 2.07 billion, increasing by 15.9 percent.

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China Report

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PROVINCIAL AFFAIRS

CONTRACTS NEEDED IN ANHUI AFTER TAX-FOR-PROFIT SUBSTITUTION

Hefei ANHUI RIBAO in Chinese 20 Nov 85 p 2

[Article by Wu Lingen [0702 2651 2704], Xu Zhengping [6079 2973 1627], and Zhu Deqi [4281 1795 6386]: "After Substitution of Taxes for Profits, Contracts Still Need To Be Implemented"]

[Text] After implementing the second step of tax-for-profit substitution, in order to continue to strengthen enterprise vitality (especially large and mediumsized state-run enterprises) and to mobilize positive aspects of enterprises, enterprises still need to carry out their contract responsibility system with the authorities concerned. This observation was made by many comrades at the recently-held Anhui provincial theoretical discussion conference on strengthening enterprise vitality and is worthy of our attention.

Nineteen eighty-four was a year of great development in the implementation of the economic responsibility system in Anhui's enterprises. This was especially true in March, when the provincial party committee and the provincial government issued a "Report on Further Perfecting the Industrial and Commercial Enterprise Responsibility System" (Document 17 for short), many areas have learned from the experiences of agricultural reform and have introduced the "contract" to the city, generally pursuing a policy of making contracts the most important factor in the economic responsibility system in industrial and commercial enterprises, thus strongly encouraging increases in productivity and in economic results. The problem was that after the implementation of the second step of substituting taxes for profits at the end of last year, it was not clear whether the enterprises still needed to fulfill their contract obligations with the authorities concerned. There are varying opinions on this matter. One point of view is that after implementing step two of substituting taxes for profits, the relationship between enterprises and the state will be clarified and standardized by legal statutes, and therefore it will not be necessary to draw up any contracts. They even consider that still making contracts after substituting taxes for profits will be tantamount to putting on a rival show. As a result of this point of view, from January until April, Anhui's enterprise economic responsibility system did not develop very quickly; even now, there are many areas where it is not working out very well.

At the third Anhui seminar on strengthening enterprise vitality, held in Wuhu, several comrades summarized our province's actual experiences. Combining

theory with practice they answered questions on the necessity and feasibility of the contract system after substituting taxes for profits. They believe the following:

First, keeping the contract system after substituting taxes for profits is an objective measure necessary for developing and perfecting the enterprise external management responsibility system and for generally increasing enterprise economic results. Substituting taxes for profits was important for resolving the relationship between state-run enterprises and the state's distribution of economic benefits. However, the relationship between the two is not merely limited to the matter of the distribution of profits. As for how much production responsibility enterprises should bear for the state, how much profit they should generate, and other issues such as the enterprises' social benefits, solely relying on substituting taxes for profits will provide an overall solution. Only after implementing the contracts between enterprises to the state be clearly defined, the state's production plans (instructions and guidelines) and financial plans be implemented for enterprises, and the enterprises' production vitality harnessed. This is one kind of contract based on substituting taxes for profits, and its methods of taking taxes in exchange for profits are all carried out in accordance with state statutes regarding substitution of taxes for profits; hence it does not conflict with replacing profits with taxes, but rather complements it. If we were to say that the second step of substituting taxes for profits is a way of making sure we "acquire wealth," then contracts are a way of making sure that we "create wealth," allowing the state to steadily acquire more wealth. Experiences in many districts and enterprises in our province demonstrate that when enterprise leaders represent their enterprises at higher level sections and present annual profit goals and contracts for every economic objective, not only are enterprises encouraged to increase economic results, expand their scope of operations, increase production and sales, and bear more overall responsibility towards the state, but also enterprise managers are prevented from just seeking to make profits while neglecting the interests of society.

Second, continuing contracts after substituting taxes for profits is in line with the requirements of the restructuring of the economic management system. The CPC's Seventh 5-Year Plan proposes that the state's management of enterprises should gradually shift from direct control to indirect control; it stresses the use of economic and legal measures as well as the adoption of necessary administrative measures to control and regulate economic activity. It calls for the drawing up of a complete set of regulations for planning and marketing, using mechanisms to integrate microeconomic stimulation with macroeconomic control. For the time being, however, it is very necessary to implement contracts on the basis of substitution of taxes for profits, and there are also many advantages in doing this. It can lead to a more complete enterprise external responsibility system and inspection system. It can not only strengthen enterprise vitality and further enhance enterprise economic results, but also foster healthy development of management organization, guarantee that enterprises remain on the road to socialism and guarantee macroeconomic guidance from the state to the enterprises, thereby imbuing the socialist enterprises' range of powers and administrative jurisdiction with both separate and unifying characteristics. It can also help the responsible sections to exercise more fully their functions of "planning as a whole, serving, coordinating

and supervising." At the same time, it can help establish the factory director responsibility system by having the factory director consider both the enterprise's short-term profits and its long-term profit goals, introduce modern production techniques, develop new products and improve quality of production, all at the same time. It can also firmly establish relationships among the state, the enterprise and the workers in order to assure completion of enterprise productivity objectives.

Although continuing to implement contracts after substitution of taxes for profits is obviously suitable, scientific and effective, a number of specialists and scholars have pointed out that from Anhui's theoretical and enterpreneurial perspective, if several current problems are not resolved, there will still be difficulties in taking full advantage of the contract system after taxes are substituted for profits. The most critical problems are: how to choose realistic contract objectives which sufficiently reflect enterprise economic results and social benefits under conditions of differing enterprise situations and characteristics; how to integrate contracts with enterprise development strategies; how to relate management profits and enterprise personnel's remuneration with the contractor's economic benefits; how to handle the relationship between the contractor and administrative enterprise duties, etc. All these issues should and must be realistically investigated, researched, and systematically resolved.

Several specialists have also indicated that we need to deal correctly with shortcomings and problems which arise in the contracts. For example, some enterprises borrow contract funds for extra incentive funds or materials; some enterprises do not fully examine responsibility objectives, emphasizing profit and neglecting social benefits; some award enterprise leaders imappropriately and excessively, emphasizing material incentives; others do not base their actions on reality andmake the contract a mere formality; some enterprises even falsify figures to the detriment of both the state and the consumer. These problems do not all arise from the contract responsibility system itself. Some are caused by lack of experience, some are created due to incomplete external circumstances, and some by the bad influence of harmful social tendencies. We need to make a complete analysis and study of problems in the contract system; taking an attitude of pulling the wool over our eyes and simply denying that any problems exist is unacceptable.

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PROVINCIAL AFFAIRS

REFORM BRINGS FAVORABLE CHANGES TO ANHUI'S COMMERCIAL WORK

Hefei ANHUI RIBAO in Chinese 16 Nov 85 p 3

[Article by Shang Zhengyan [0794 6774 6056]: "Reform Brings Favorable Changes to Anhui's Commercial Work: Increased Circulation of Commercial Goods, Increased Speed of Circulation, Implementation of 'Six Increases, One Decrease'"]

[Text] So far this year, Anhui's commercial departments have increased the volume and speed of commodity circulation; there has been the favorable situation of increases in the value of purchases, sales, shipments in, shipments out, exports and handling of industrial products while expenses have decreased.

Commercial sectors have made some great improvements in organizing the circulation of commodities. Two outstanding examples of this are: first, a noticeable result in purchasing more and selling fast was achieved. During the first 9 months of this year, because the volume of purchases and sales of commodities increased, gross profits have increased by 80 million yuan over the same period last year. Capital turnover was accelerated, reducing the time needed for the turnover from 159 days in the past to 129 days today. This alone resulted in a decrease of 400 million yuan in the use of bank funds and a reduction of 26 million yuan in interest costs. Second, management links were reduced and lateral contacts were expanded. During the first 8 months of this year, the total amount of direct purchases of commercial goods by Anhui commercial sections from factories inside and outside the province increased 1.5-fold over the same period last year. Direct purchases by wholesale enterprises at the grassroots level also increased. According to statistics from 74 county-level wholesale enterprises, the amount of direct purchases from factories during these 8 months was almost twice as great as it was during the same period last year; various types of enterprises jointly managed by counties, municipalities and provinces were established in all areas.

This year, reform of the commercial structure is progressing more rapidly. In Anhui there are now over 3,000 independently-operated small-scale retail businesses, and catering and service trades; already, 64 percent of government collectively-managed enterprises still have collective control but are leased or assigned to individual managers. Business and personnel management have been positively improved all over and economic results have increased noticeably. Wuyi Food Station in Chusian County lost 7,000 yuan in the first half of the year, but starting in July it was put under government collective management and in that same month it earned a profit of 18,000 yuan. Hefei City has

opened 84 small catering and service trades; their profit in the first 8 months increased by 80 percent over the same period last year and they have paid the state over 50 percent more in taxes.

Since removal of pork price controls, productivity has grown, more fresh meat is on the market, and prices have stabilized. State-run food companies have definitely improved management and administration, making them more suitable. The removal of price controls, therefore, is clearly a case of every cloud having a silver lining.

Provincial commercial departments realized that from the fourth quarter of this year until the period before the spring festival, currency circulation was concentrated and markets still had potential destabilizing factors. Therefore, they must keep reform as their central goal, plan for a busy market-season as a point of departure, reform and improve management, and carefully restructure for optimum managerial effectiveness.

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ECONOMIC PLANNING

CONFERENCE ON ANHUI'S ECONOMIC PLANS DISCUSSED

Shijiazhuang HEBEI RIBAO in Chinese 19 Dec 85 p 1

[Editorial: "Do A Good Job in Strategic Deployment; Seek Victory in the First Battle"]

[Text] As the Sixth 5-Year Plan approaches a successful conclusion and the Seventh 5-Year Plan is about to commence, the convening of the Provincial Conference on Planning Work by the provincial government is of great significance.

An outstanding success of the conference was its study and suggestion of ideas of strategic economic dispositions and plans for the implementation of the Seventh 5-Year Plan in the province and the development of focal points, and the decision to focus on the Shanhaibei regions in the development of light industry, textiles, and township and town enterprises. This decision was based on the historical experience and present economic situation in the province, completely suits the real situation and manifests the special characteristics of economic construction in Hebei.

The development of the Shanhaibei regions occupies an important strategic place in the economic construction of Hebei. These three regions possess a vast territory, an abundance of natural resources, and great potential for the development of the forestry, fruit, animal husbandry, mining, fisheries and tourist industries. Due to the past "leftist" influence, the great biological and mining natural resources of the areas' vast uncultivated lands, grasslands, beach areas, and bodies of water have not been fully exploited and utilized. Once the regions' natural resources are exploited and utilized, it will be highly advantageous to the rapid development of the commodity economy and will greatly promote the economic takeoff of the entire province.

Little investment is required in light industry and textiles, while much is produced with great capital accumulation. The presence of these industries in Hebei is advantageous to the province. Light industry and textiles in Hebei have an abundance of raw materials and a strong foundation, but due to an irrational industrial structure, there has not been enough depth to product processing. The same uncompetitive unified system which has had a negative

effect on economic returns for years has been used. By giving priority to the development of light industries and textiles, revenues and accumulation can be increased to a fairly large extent. It will also have an important effect on the creation of foreign exchange via exporting, satisfying the needs of the people for consumer goods and in alleviating the energy shortage. The development of these industries will play an obvious vital role in stimulating the economy of the entire province.

Making great efforts to development the township and town enterprises and resolving the problem of enriching the countryside while ensuring a steady increase in grain production are necessary in stimulating the rural economy, have been affirmed by the proposals contained in the Central Committee's Seventh 5-Year Plan, and have been demonstrated as correct by the experiences of economically developed regions. Hebei's township and town enterprises have developed rapidly in recent years, but due to a late start, a poor base, and other reasons, are still fairly backward. Development remains uneven. Some areas have yet to seriously create any township and town enterprises to this day and the lives of the masses there are still difficult. If this is not changed soon, it will be impossible to further accelerate the pace of rural economic development, which is something that will effect the development and prosperity of the entire national economy. Therefore, developing township and town enterprises is an important component part of the enlivening of the entire province's economy.

Our taking the development of the Shanhaibei regions, light industry and textiles, and township and town enterprises as the strategic center of the Seventh 5-Year Plan has a profound meaning in relation to the development of Hebei's share of the national economy. However, this does not imply that we can relax work in other regions and industries. Each region and department related to the national economy must make full use of its own advantages and find its own way to seek sustained, stable, coordinated, planned, and proporational development during the Seventh 5-Year Plan.

Next year, the first year of the Seventh 5-Year Plan, it is necessary to implement strategic plans and develop focal points in Hebei's economic construction do a good job of the first year's work and seek victory at the first battle. Each region must further clarify the guiding ideology, develop focal points, designate preliminary measures, and arrange plans for social development and the development of its share of the national economy in order to ensure the genuine implementation of strategic plans in order to ensure the genuine implementation of strategic plans for economic construction and the development of focal points in Hebei. To accomplish this, all levels of leadership must further improve their workstyles, understand the overall situation, seek unity, stress actual results, compete to contribute adhere to the reform, and emphasize economic returns to promote the sustained, steady, coordinated development of the national economy and build a firm foundation for the first stage of the Seventh 5-Year Plan.

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ECONOMIC PLANNING

ANHUI CONFERENCE ON URBAN ECONOMIC REFORM HELD

Conference Proceedings Summarized

Hefei ANHUI RIBAO in Chinese 24 Dec 85 p 1

[Article by Niu Qiubi [3662 3061 6582], Li Xiangmin [2621 4161 2404] and Jiang Keping [5592 0344 1627]: "Provincial Conference on Overall Urban Economic Reform Convenes in Fengqu, Prepares Plans for Next Year's Urban Reform Work; Implement Measures, Consolidate Victories, Further Improve Urban Reform"]

[Text] The Provincial Conference on Overall Urban Economic Reform was held in Bengbu City from 18 to 22 December. At the conference, experiences in our province concerning the overall economic reform over the last year were reviewed and exchanged and tasks for next year's reform were proposed. Governor Wang Yuzhao [3769 6735 2507] and the provincial CPC committee deputy secretary, Lu Rongjing [4151 2837 2529], addressed the conference. The assistant chairman of the provincial advisory board, Cui Jianxiao [1508 0494 2556] and deputy chairman of the standing committee of the provincial people's congress, Su Hua [5685 2901] attended. Zhang Da [1728 1129] presided on behalf of the vice governor, Sung Ming [1345 2494], who passed on a report regarding the spirit of the National Conference on Technological Progress. Organs directly subordinate to the various prefectures, cities and the province, and responsible persons from some overall reform test counties participated.

This year fairly great progress was made in Anhui's overall urban economic reform. The central link of strengthening enterprise resources and vitality was stressed, as were streamlining administration, decentralization, and reforming the enterprise leadership system. Further progress was made in improving the various forms of economic responsibility systems. At the same time, an overall reform of the county-level economic system was energetically implemented which enhanced the development of Anhui's share of the national economy, and industrial development took an unprecedented turn for the better. It is estimated that this year's provincial GVIO will reach 22 billion yuan, a 20-percent increase over last year. New breakthroughs have also been made in revenues, which may attain an estimated 3 billion yuan for the year, for an increase of 23.1 percent compared to the year before, surpassing the growth rate for production. Reform in production circulation has brought prosperity to provincial markets, with an estimated gross retail commodity sales value of 14.1 billion yuan this year, for an 18 percent increase over last year. The people's standard of living has clearly improved.

It was pointed out at the conference that as next year is the year for an in-depth development of the overall reform with the cities as focus, we must follow the revolutionary orientation, principles, methods and plans of the resolution of the CPC Central Committee concerning the overall economic reform and the proposals of the Seventh 5-year Plan, to dramatically and soundly advance the reform. The overall demand is to further implement the already confirmed reform measures, consolidate the fruits of the reform, enhance the ability of the enterprise to absorb and "digest," and based on practice and experience, to gradually perfect and complete the reform.

In order to accomplish this, the following must be stressed: 1. Further strengthening enterprises, especially state-run large and middle-sized enterprises. We must internally and externally create a bitter environment and conditions for enterprises, and augment their ability for self-development and self-reform. From the external approach, we must resolutely engage in administrative streamlining and decentralization. Enterprises that have already been targeted for decentralization should be decentralized as rapidly as possible. Such enterprises must be decentralized in all areas, as we should not "put down the bowl without putting down the chopsticks." The cities must also streamline and decentralize. Enterprises there must not have their powers reduced. From the internal approach, we must continue to advance and improve the factory director (manager) system of responsibility, especially the merit tenure management system, and ceaselessly seek to perfect the various system of internal economic responsibility within the enterprise, increase enterprise accumulation, accelerate the speed of enterprise technological reform and further invigorate small enterprises while also strengthening large and medium-size enterprises.

2. Greatly develop the commodity market under the guidance of planning, breaking administrative and geographical boundaries to organize according to the rational direction of commodity flow, and with the city as center, internal and external integration and urban-rural integration, and to create multilevel, economically effective networks of open door socialist systems of circulation, making great efforts to open up means of production and technological markets and enliven channels of labor circulation while developing the market for commodities of daily use.

3. Invigorating funding harmony and raising the capital utilization rate. The disposition of capital must be adequately concentrated and used in key areas to gain economic returns. The focus of investment in capital construction must be on economical projects with reserve strength that can gain good results rapidly. Investment in technical innovation must center on projects that can be quickly implemented, that suit our level of technological development, and that will produce rapid economic results. The focal point should be on expanding production of products in short supply, improving quality of inferior goods, increasing product variety, and on profitable enterprises with a high capital turnover rate that can create much tax revenue. Financial departments must understand the concepts involved in developing commodity production and the energetic cultivation of financial resources. Everyone must learn how to create, accumulate, and utilize wealth. A limited capital market must be created to centralize social capital.

4. Continuing overall economic reform at the county level. We must stimulate the county-level economy as rapidly as possible via decentralization, the granting of power and provision of policies and measures. The rights stipulated in Document No 12 (1985) of the provincial CPC committee and government can, in principle, be applied in all counties. Departments directly subordinate to the province must consciously take the initiative to improve service and guidance work in test-site counties.

Urban Economic Reform Promoted

Hefei ANHUI RIBAO in Chinese 24 Dec 85 p 1

[Commentary: "Press the Reform in a Deliberate Fashion"]

[Text] This year's reform in Anhui's urban economic system, via administrative streamlining and decentralization and measures to reform the enterprise management system, further improve the various forms of economic responsibility, release restrictions on small state-run industrial and commercial enterprises, develop horizontal economic relations, and enliven circulation, has led to a great increase in enterprise strength, and has promoted the development of the national economy. Practice has shown that the direction of the reform is correct, that its experiences have been successful and that it's achievements have been remarkable. The Provincial Conference on Overall Urban Economic Reform created opportunities for the timely review and exchange of these experiences and made preparations for next year's work, which will have an important effect on the healthy development of overall urban economic reform in Anhui.

However it must be observed that the development of the reform has not been even. Some units and localities have not been sufficiently enthusiastic in their actions and have been lacking in a sense of urgency. Therefore, we must strengthen leadership, implement categorized guidance according to the needs of consolidation, absorption, compensation, and improvement, seek truth from facts and further implement reform measures that have already been confirmed and strive for new developments in next year's urban reform work.

The overall urban economic reform is a gigantic, complex systems project, vast in scope and entailing many difficulties. It involves problems of understanding and conflicts of interest. Some people, accustomed to the traditional way of living, have not recognized the necessity of reform. Some people feel dissatisfied and have complaints due to rearrangements of positions of power. Education of such people must be intensified, their mental blocks erased and their understanding unified via the series of resolutions and instructions of the CPC Central Committee on the overall economic reform. We must definitely alter our style of work, orient ourselves toward the grassroots, obtain an in-depth understanding of the real situation, guide according to categories and achieve success. The provincial CPC committee and government have decided to engage in comprehensive inspection of all counties that have performed work in overall economic reform at the end of next year to review the results of their labor. It is hoped that all regions will compete with each other to welcome the inspection with an abundance of successes in opening up and reform.

Reform entails comprehensive work. If we wish for success, several complete projects must be carried out at the same time. The integrated departments of the provincial CPC committee must appropriately advance the demands of the urban reform, on stimulating the microeconomy and enhancing macroeconomic controls and making an effort to create a new system that relies on economic methods and utilizes macroeconomic management. The supervisory industrial departments should accelerate their efforts to gradually shift from direct management over enterprises to indirect, professional management and coordinated services. Simultaneous reform in the key fields of planning, goods and materials, finance, foreign trade, personnel, labor, commodity prices, and industrial and commercial administration.

In short, we must have a sense of urgency about the urban overall economic reform, and must resolutely implement already confirmed principles and policies and constantly study how to resolve newly emerging problems to solidly advance the reform forward.

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ECONOMIC PLANNING

STATE ECONOMIC COMMISSION'S LU DONG DISCUSSES REFORM

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 Jan 86 p 1

[Article by RENMIN RIBAO reporter Zhang Heping [1728 0149 1627] and XINHUA reporter Huang Fengchu [7806 1144 0443]: "National Economic Work Conference Discusses Plan To Fight First Battle Well for Construction Under Seventh 5-Year Plan; Lu Dong Stresses Deepening Reform To Strengthen Management and Raise Results"]

[Text] During the Seventh 5-Year Plan period, China's economic work must proceed steadily along the course of improving economic results by carrying out reform in depth and strengthening management so as to set a course of socialist economic management with Chinese characteristics. This was a proposal made at the national economic work conference which opened in Beijing yesterday. Attending the conference were central leaders Tian Jiyun [3944 4764 0061], Yao Yilin [1202 0181 2651], Chen Muhua [7115 1970 5478], Zhang Jingfu [1728 0513 1133] and Song Ping [1345 1627].

Lu Dong [0712 2639], minister of the State Economic Commission, delivered a report entitled "Deepen the Reform, Strengthen Management and March Forward Steadily Along the Track of Raising Economic Results." Reviewing China's economic work situation during the Sixth 5-Year Plan period in his report, Lu Dong also made emphatic demands on issues dealing with economic development and the strengthening of enterprise management during the Seventh 5-Year Plan period. He said that the Seventh 5-Year Plan period is a crucial period of China's economic reinvigoration. During these 5 years, we must transform and create a good environment so as to develop and prepare followup forces from this time forward and at the same time continue to improve the people' standard of living. We are facing mounting contradictions. There are two keys to solving these contradictions: One is to vigorously raise the economic results of enterprises and the other is to energetically enhance the ability to earn foreign exchange through export. A most realistic way to solve these two key issues is to energetically improve the quality of enterprises and explore the tremendous inherent potential among the enterprises. The urgent matter at the moment is to establish management methods and systems adaptable to changes in the role and functions of enterprises.

Lu Dong laid out the economic work for 1986 in his report. He said that we should sustain stable economic growth and create conditions for further reform. With regard to the reform, the general principle is to solve outstanding problems which have cropped up in the course of the reform through consolidation, assimilation, supplementing, perfecting and by retaining advantages and discarding disadvantages. As to economic development, we should strengthen and improve macroeconomic control, adopt adequate policies by dealing with each region and situation on its merits, arrange production well and ensure continual, steady, and balanced national economic development. With regard to rural reform, we should implement in real earnest the guidelines embodied in pertinent documents of the CPC Central Committee and the State Council and make new contributions toward agricultural development. In urban reform, we should continue to concentrate on this central link of enhancing the vitality of enterprises.

Lu Dong said that we should continue to organize production and circulation in 1986 by concentrating on improving economic results and by properly handling the relations between speed and results, between quantity and quality, between production and the market, and between domestic and overseas marketing. We must maintain and adequate growth rate.

Lu Dong concluded that this year marks the first year of the Seventh 5-Year Plan, and we must, under the leadership of the CPC Central Committee, take positive action, improve the workstyle of the leading organs, go deep into realities and fight the first battle well in construction under the Seventh 5-Year Plan by mobilizing and relying on the people of the whole country.

Yuan Baohua [5913 1405 5478], vice minister of the State Economic Commission, also spoke at the conference about how to develop spiritual and material civilizations simultaneously, energetically strengthen the building of the ideological style of the leading bodies targeted on straightening out the party style and improving and strengthening ideological and political work among workers and staff members.

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ECONOMIC PLANNING

SHANGHAI'S RUI XINGWEN REPORTS TO PARTY CONGRESS

OW041849 Beijing XINHUA in English 1835 GMT 4 Mar 86

[Text] Shanghai, March 4 (XINHUA)--China's leading industrial city of Shanghai will concentrate on infrastructure construction, import of more foreign funds, increase of exports, technological progress and training of personnel, according to a municipal leader.

Addressing the fifth municipal congress of the Chinese Communist Party yesterday, Rui Xingwen, secretary of the municipal party committee, said the above tasks are key to turning Shanghai into a modern city.

He outlined the major targets of Shanghai's Seventh Five-Year Plan (1986-1990) as doubling the gross national product in 1990 compared with 1980, raising the proportion of the tertiary industry to 30 percent of the GNP as against the 26 percent at present, and raising the proportion of export commodities from 30 percent of the GNP to 40 percent.

The consumption level of both urban and rural residents in Shanghai will rise six percent each year, according to the secretary.

The infrastructure projects, he said, include the second tunnel under the Huangpu River, two highways from the city proper to satellite towns of Jiading and Songjiang, several overpasses, an underground railway, a new railways station, shipping berths and expansion of airport terminal building.

Imported technology and funds will be mainly used on the key infrastructure projects, production of export commodities and major items of technical transformation.

He also called for updating the traditional industries with new technology, narrowing the technical gap between Shanghai and the advanced world level, and developing high-technology products, brandname goods and export commodities.

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CSO: 4020/245

ECONOMIC PLANNING

FUZHOU'S ECONOMIC BASE, DEVELOPMENT PROSPECTS EXAMINED

Beijing DILI ZHISHI [GEOGRAPHICAL KNOWLEDGE] in Chinese No 12, 1985 pp 7-8

[Article by Chen Hang [7115 5300] "Fuzhou's Economic Foundation and Development Prospects"]

[Text] Fuzhou is a coastal city and provincial capital that has opened its doors to the outside. What is the state of its economic foundation? What are its strengths that can be brought into play? What will its future development be like? These are among the concerns of numerous people. Below is a brief analysis of the situation based on our own research.

Strengths and Weaknesses of Economic Foundation Are Distinct

Fuzhou's economic development has been affected by its history and environmental factors. The clear distinction between strengths and weaknesses in the economic foundation is a characteristic of this economy.

Small and light manufacturing is the main component of industry in Fuzhou; the development of heavy industry lags behind. Formerly industry was extremely backward in Fuzhou, but after 30 years of hard work, industrial output value reached 3.3 billion yuan in 1984, which is a 146-fold increase over 1950. Fuzhou's output value was more than one-quarter that of the entire province. But because industry in Fuzhou largely grew out of handicrafts, newly constructed large and medium mainstay factories are few in number and enterprises are generally on a small scale. As of 1983, there were a total of 15 large- and medium-size enterprises in the metropolitan area which accounted for only 1.2 percent of all enterprises; their output value was only 17.4 percent of the GVIO. There is a fairly complete range of industries in Fuzhou; among the most important operations are machine, chemical, food, and textile industries, as well as the production of cultural, educational, and artistic materials. These together account for 82.7 percent of the total output value. However, electronics and household goods dominate the machine industries and processing of plastics and common chemicals makes up more than half the output value in the chemical-engineering industry. Looking at the entire industrial structure, small-scale and light industrial manufacturing still dominate the industrial scene.

Transportation and shipping are relatively convenient with water and railways being the most important components. Before the liberation, shipping and

transportation were backward in Fuzhou. The 1959 Wai Fu [Overseas-Fuzhou] Railway, the opening of a regular air route in 1974, and the completion of basic port facilities at the Mawei harbor in 1975, along with more than 30 years of uninterrupted expansion and construction of highways, have made Fuzhou the transportation and shipping hub of Fujian. The numerous transportation and shipping lines involve highways, railroads, rivers, the air, and the sea. Transportation to other areas is also convenient; 30 counties and cities within the province can be reached directly by road as can areas outside the province such as Guangzhou, Shenzhen, Hong Kong, Zhuhai and Wenzhou. The important industrial cities within the province can be reached directly by rail as can Beijing, Shanghai, Guangzhou and more than 11 other provinces and cities along these lines. Nanping can be reached directly by river transport; coastal areas of China and many locations worldwide can be reached by sea; many large cities, including Beijing, Shanghai, Hangzhou, Nanchang, Guangzhou, and Hong Kong can be reached by air.

The level of intensive agriculture is high, but the internal organization of agriculture still needs improvement. Natural conditions in the Fuzhou area are very good: flatlands cover a relatively large area, the climate is warm and damp and the soil is rich. Because development began early, irrigation facilities are very good. The population density is high with an average of 410 people per square kilometer, which is only below that of the lower reaches of the Pujiang area in southern Fujian. The abundance of agricultural labor and the adequacy of fertilizer, water, and electrification together form the proper conditions for a high level of intensive cultivation. At present, each tillable mu on the average produces about 1,300 jin of grain. But the forestry, fruit, livestock, sideline, and fishing industries are all inadequately developed. And within the overall scheme of plant cultivation, grain production accounts for an excessively large proportion. In 1983, grain production comprised more than three-fourths of total output value for the plant cultivation industry; cash crops accounted for only 9.5 percent of the total and tea, silkworms, and fruit trees together accounted for only 3.6 percent of total output. In rural villages, agricultural byproducts comprised only about 30 percent of commercial products and the per capita income of farmers still has not reached 300 yuan. Basically it is still a closed, self-sufficient type of agricultural economy that is far from meeting the present exigencies of the open door and the development of industry.

Energy supplies are tight, seriously hindering Fuzhou's economic development and economic returns. The Fuzhou area lacks coal and oil for electricity and hence depends on their transfer from other areas; its electricity is mainly supplied through northern Fujian's electricity network. Because the shipping and transport of coal and oil are inadequate, deliveries are greatly restricted, causing Fuzhou to depend heavily on northern Fujian's electricity network and hydroelectric power. During the dry season, however, not quite two-thirds of the normal volume of electricity can be supplied. This serious energy shortage is a great obstacle to Fuzhou's economic development and to increased economic returns. Not only does this situation make it difficult to meet the future requirements of economic expansion and the open door, but even present demand for electricity for production and daily living can hardly be met.

Strengths and Prospects for Development

From the above, it can be seen that Fuzhou has realized unprecedented economic growth since the liberation. However, its actual economic strength is not equal to its role as a large provincial capital. Thus, Fuzhou must take advantage of the open door, extol the long run over the short run and quicken the pace of development. In this context, what are Fuzhou's advantages?

First, sea and river transport from Fuzhou is excellent. Fuzhou is located on the southeastern coast of China near the mouth of the Min Jiang. Facing the sea with a backdrop of mountains, only the sea itself separates it from Jilong in Taiwan. The Min Jiang basin covers an extensive area. The important coastal cities of China and points worldwide can be reached via the ocean. Consequently, early in history Fuzhou was the main merchandise exchange and distribution center on the southeastern China coast and was also an important foreign trade port. The hinterlands of the Fuzhou area include the four prefectures and cities of Fuzhou, Sanming, Jianyang and Ningde; the area and its GVIO make up three-fifths of the entire province and its population and GVAO are more than half of the entire province's. This area is traditionally the most important area for tea and forestry in China, and its water resources hold a crucial position in eastern China. The most important fisheries in Fujian are in eastern and central Fujian. Various nonmetallic mineral resources like granite, river sand, and pyrophyllite are very plentiful; its reserves of pyrophyllite lead the nation. Production of grain, oils, vegetables, and seeds each account for between 55 and 80 percent of Fujian's totals. Fuzhou, Sanming, Nanping and Yongan are the main centers of industry in Fujian.

Fuzhou has a harbor at a river's mouth and the conditions are excellent for port construction. The Min Jiang has a heavy volume of flow, but carries little sand. The south harbor and the Meihua channel on the south side of Nantai and Langqi islands in the lower reaches of the Min Jiang can be used for flood discharge and sand deposits. The reason is to guarantee that the main navigable channel located at the Changmen north port on the north side can maintain a great and stable water depth. Add to this the significant tidal variation, which averages about 4 meters, and the conditions are present for large ships to enter and leave. At the same time, the islands of Culu and Chuanshi beyond the mouth of the Min Jiang act as a screen that provides nearly ideal protection. Along the bank, water depth is sufficient for ports for a stretch of 10 to 20 km.

In the Fuzhou area, other than Min Jiang harbor, there are the Luoyuan Straits which are capable of docking 100,000 to 200,000 ton oceangoing vessels. The straits are located about 80 km north of Mawei and are conventiently reached by rail, thus Fuzhou and Mawei can jointly take advantage of them.

Second, Fuzhou's proximity to both mountains and sea is advantageous. To the west of the Fuzhou area, the terrain is steep; to the east are lowlands. Most of the area is below the mountains and hills, which makes it suitable for the development of fruit orchards, forestry, tea, livestock, and sideline industry. Also the Fuzhou plains and the plains along the east coast channel are the only two areas in the province where cultivation is excellent. Furthermore,

this area is located in the transitional zone between the southern and central tropics; it is a subtropical climate marked by maritime winds. The average yearly temperature is 20°C and there are 330 frost-free days a year; the yearly precipitation is between 1,200 and 1,700 millimeters. There are four distinct seasons with long summers and short winters making this an excellent area for plant and tree cultivation. Fuzhou's coastline is long, about one-sixteenth of China's entire coastline. There are many bends and straits in it and the sea has a multitude of islands. Haitan is the largest of Fujian's islands and it is both near the coast and various other islands. Because the Min Jiang, the Ao Jiang and the Long Jiang are high in bait, fish spawn well and grow quickly; also the varieties are numerous and the volume is heavy. It is an excellent ocean fishing ground. The coast also has numerous beaches suitable for the development of seafood hatcheries. The preponderance of natural resources and the multifaceted geography should stimulate the development of various industries with a plethora of managerial systems.

Third, Fuzhou has a solid foundation of foreign contacts which should accelerate growth. Since opening up, Fuzhou has quickly developed a wide variety of connections, exchanges, and cooperative efforts with foreigners. Between 1979 and 1983, in all of Fuzhou 7 joint-capital ventures and 13 cooperative ventures were initiated. More than 330 projects in which materials are brought in for processing or assembly have been made; 23 compensation trade arrangements have also been established. In that same period, 13 contracts were signed between Fuzhou and foreigners. Trade relations have been established with more than 50 nations and areas thus far. Fuzhou has many places that are native to emigrants; according to calculations, about one-fifth of those residing in Fujian are overseas Chinese and there are many who have relatives overseas. For the most part, they can be found in Fuqing, Fuzhou, Changle and Minqing. No doubt this is a point to be taken advantage of in Fuzhou's future economic development.

Fuzhou has many famous historical sites and tourist resources. Fuzhou early on opened up the eight bodies of water of Fujian, which with numerous historical sites and gorgeous views, has the most famous scenery and collection of classical relics and remains in Fujian. The main attractions in the Fuzhou metropolitan area are West Lake, Mt Gu, Mt Yu, Mt Niaoshi, Mt Yantai's Luoxing pagoda and Xichan temple and the Mt Jin temple. In the various counties are Qingzhi temple, Snow Peak, the Fangguang cliffs, the Ji cliffs and White Mountain. In all, the Fuzhou area reflects the natural beauty of magnificent peaks and serene gullies as well as the simple refinement of ancient relics and sites. These famed historical sites are the basis upon which to build tourism.

Based on the aforementioned analysis, the future development of Fuzhou should center on looking outward, expanding contacts overseas, developing foreign trade and steadily working toward economic and technical cooperation. This should spur the development and transformation of the national economy. Thus it is essential to focus efforts on making Fuzhou harbor the center of both transportation and communication networks so that domestic and foreign contacts with the four corners of the globe be unimpeded. Mawei's role as Fuzhou's base for arranging joint investment with concerned departments at various levels, for absorbing foreign and overseas Chinese capital, for attracting advanced

technology, for transforming existing industries and for launching new industries must be enhanced. There should be steady improvement in Fuzhou's infrastructure facilities and it is especially crucial to establish electricity sources and energy supplies that meet the needs of the new circumstances. The agricultural structure must be reorganized and the level of commercialization must be substantially raised to help satisfy the requirements of foreign trade, light industry, and the steadily rising standard of living. Famed historical sites and the strengths of overseas Chinese native areas must be fully utilized in advancing the tourist industry and various tertiary production industries so that funds can be accumulated for economic development and urban construction.

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ECONOMIC PLANNING

EXPORT-ORIENTED ECONOMY STRESSED FOR GUANGZHOU

OW052214 Beijing XINHUA in English 1902 GMT 5 Mar 86

[Text] Guangzhou, March 5 (XINHUA)--Development of export production is the top priority of Guangzhou, capital of south China's Guangdong Province, acting Mayor Zhu Senlin said here today.

Speaking to members of the city's people's congress, Zhu said the city will concentrate on increasing exports of machinery, textiles, manufactured goods, food and farm-related products.

In part, he said, this will be accomplished by building export production centers and developing new products for abroad. But, he added, "We must extend trade to Europe, the Americas and Australia and New Zealand."

Zhu said he expected industrial output value to rise by 10 percent this year to 18.74 billion yuan, of which six percent of 1.6 billion yuan would involve agriculture.

"Production should be helped by the wider application of nationwide economic reforms," he said. "The city will give its enterprises more decision-making power and encourage them to cooperate on their own."

At the same time, said Zhu, the city will "accelerate its technical renovation" of existing enterprises. Foreign investment will be mainly used for energy and transportation projects such as harbors, the acting mayor said, and for industries producing food, textiles, electronics, household electrical appliances, garments and new building and industrial materials.

He said, "Import emphasis will be on essential new equipment and on technical software and expertise to update our products."

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CSO: 4020/245

AGGREGATE ECONOMIC DATA

ANHUI TOWNSHIP, TOWN ENTERPRISES ACHIEVE GOOD RESULTS IN 1985

Results Detailed

Hefei ANHUI RIBAO in Chinese 3 Jan 86 p 1

[Article by reporter Li Zhefu [2621 0772 1133]: "Anhui's Peasants Distinguish Themselves During the Second Stage Rural Reforms; Anhui's Township and Town Enterprises Advance in Giant Strides with Gross Output Value Expected To Reach 8.5 Billion Yuan in 1985, an Increase of 84.78 Percent over 1984; Marked Increase in Profit and Tax Deliver Expected"]

[Text] In the vast Chang Jiang-Huai He region, hundreds of thousands of peasants have smashed the shackles of natural economy and energetically developed commodity production to distinguish themselves during the second step of the rural reform. Anhui's township and town enterprises that came into being in 1984 continued to develop steadily in 1985 bringing about an unprecedented new situation. It was estimated that the gross output value of township and town enterprises throughout the province would reach 8.5 billion yuan in 1985, an increase of 84.78 percent over 1984. Out of which the output value of industries at the township and town levels would reach 3 billion yuan, one-sixth of Anhui's GUIO. Anhui's township and town enterprises made more than 1 billion yuan in profit and delivered more than 300 million yuan in tax, both showing a marked increase as compared with 1984.

In the course of implementing CPC Central Committee Document No 1 of 1985, the provincial CPC committee and the provincial government regarded the development of township and town enterprises as one of the key strategies of reinvigorating Anhui's economy and an important breakthrough in readjusting the agricultural structure; they loudly publicized that the source of strength in developing township and town enterprises rested with thousands upon thousands of households and they also encouraged the peasants to vigorously develop commodity production. Tens of thousands of township and town enterprises sprang up, particularly those run by households and joint households which also developed swiftly and vigorously. According to incomplete statistics, here were more than 678,000 enterprises run by households and joint households throughout the province realizing an output value of more than 3.7 billion yuan, more than doubling that in 1984.

Anhui's township and town enterprises have developed swiftly and steadily with important hallmarks: 1) The development of enterprises was based on thousands upon thousands of households. Economic districts in which a household leading a village, a village leading a general area, and one village turning out one product are prevalent everywhere. The output value of enterprises run by household and joint households rose from 30 percent of the gross output value in 1984 to 44 percent and is still rising at present. 2) Emphasis on transforming existing enterprises by intensive means, limiting the building of new ones to a minimum. Most of the newly developed enterprises at the township and town levels throughout the province belong to the building materials industry, processing industry for farm produce and sideline products, food industry, and tertiary industry. The output value of rural tertiary industry in 1985 alone came to 1.83 billion yuan, accounting for 20 percent of the gross output value. 3) Urban industry has made a new step in spreading out toward rural townships. The output value of dispersed products in 1985 had sharply increased from more than 40 million yuan in the past to more than 300 million yuan. By establishing lateral ties with the economically developed areas, township and town enterprises throughout the province have jointly developed and run more than 2,400 projects, drawn in more than 90million yuan in funds and more than 3,400 qualified personnel. 4) The advantages of resource have been given full play. The output from township and town small coal pits throughout the province came to 2.5 million tons and the cement output amounted to 2 million tons; the output of marble (unpolished) was expected to exceed 35,000 cubic meters. The advantages of resources in numerous places had not only become advantages for producing commodities but also economic advantages bringing about faster development of the processing industries, especially those processing farm produce and sideline products, forest timber, and native and specialty products in the main.

The growing proportion of township and town enterprises in the national economy has brought about a readjustment of the production structures in the countryside. It was estimated that the output value of Anhui's township and town enterprises would rise from 10.2 percent in the gross output value of society throughout the province in 1984 to 16 percent in 1985; the output value of industries at the township and town levels would increase from 10 percent of the provincial GVIO in 1984 to 16 percent in 1985; and the tax delivered would increase 87 percent over 1984. The development of township and town enterprises provided a way for shifting the rural surplus labor force. Anhui's township and town enterprises employed 3.31 million people, 17 percent of the rural labor force. The proportion of the output value of rural and township enterprises in the output value of the rural society rose from 21 percent in 1984 to 36 percent in 1985. Calculated on the basis of the rural population, the per capita output value created would increase from 111 yuan in 1984 to 201 yuan in 1985, an increase of 81 percent. The per capita income of 193 yuan represented a 90-percent increase over 1984.

With the development of township and town enterprises, cadres energetically concentrating on operations, learning management and exercising overall control of the economic situation and peasants studying common knowledge, science, and technology have now become common practice. A generation of new-type peasants is reaching maturity. In 1985, Anhui had trained more than 50,000 qualified people of various categories for township and town enterprises.

Township Enterprise Development Promoted

Hefei ANHUI RIBAO in Chinese 3 Jan 86 p 1

[Commentary: "Township and Town Enterprises Should Be Developed Still Further"]

[Text] The rapid development of township and town enterprises in recent years has shown day by day its role in changing the rural production structure and in developing the rural commodity economy. As pointed out in the proposal of the CPC Central Committee for the Seventh 5-Year Plan: "Developing township and town enterprises is the essential way to revitalize China's rural economy."

All kinds of skepticism and controversies have appeared in society as the second stage rural reforms in Anhui Province progress in depth, of which the most-discussed issue has been the township and town enterprises. As a result of financial stringency since 1985, some people have advocated "seeking of uniformity in everything" and "putting on the brake instantly" and so forth on township and town enterprises. This is obviously unfair. Anhui's township and town enterprises have indeed developed rapidly in recent year, but they were not developed unrealistically. The rapid development of township and town enterprises is the natural outcome of the output-related system of contracted responsibility which was vigorously advocated, encouraged, and supported by the party and the government. Of course, unrealistic development in disregard of needs, funding, raw materials, and the market occurred in some places, but it is not an overall issue after all. We should realize that Anhui's township and town enterprises have been developing normally and healthily in spite of a weak foundation and a late start. In spite of faster development in recent years, compared with fraternal provinces and municipalities, especially the various provinces in east China, we still remain backward. The problem of so-called developing at excessive speed does not exist whatsoever and there is no reason for us to curtail or control it, we should, instead, aim for unswerving energetic development.

It is the responsibility of the leading government organizations at all level, mass organizations, and various professions and trades to support township and town enterprises. Judging from the situation in recent years, the development of Anhui's township and town enterprises has the support of numerous departments and units. However, lacking understanding of the far-reaching significance of developing township and town enterprises some departments and units do things in their own way with a departmental perspective instead of proceeding from taking the interest of the whole into account. For example, the issue of channeling goods and materials to some township and town enterprises has not been solved properly all along, even raw materials for making brand name products and products earning foreign exchange cannot be assured. Some departments have failed to give effective operational guidance to township and town enterprises of the same trades. In spite of their high-sounding verbal support, they tried to shift responsibility onto others whenever they are actually needed to help solve problems. All this is sufficient to show that it will be impossible to develop township and town enterprises in a big way without bringing about a major change in the ideological understanding of the

leadership of departments and trades concerned. We must foster the concept of coordinating all activities of the province like pieces in a chess game.

As in all other work, the key to large-scale development of township and town enterprises lies in the leadership at all levels. In places where the leadership attaches importance to township and town enterprises, work can certainly develop smoothly. Some leading persons. however, have not emancipated their minds sufficiently even now, they have limited their work to only paying lip service and issuing general slogans instead of effective concrete measures. Some places have not yet streamlined organs governing township and town enterprises even now; others are critically short of personnel even though organs are set up, thereby impeding progress of routine work. In large-scale development of township and town enterprises, it is the responsibility and duty of the leadership at all levels to provide quality services to the grassroots level, do away with empty talk, and tackle practical problems so as to develop township and town enterprises steadily.

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RAPID ECONOMIC GROWTH IN GUANGDONG'S HAINANDAO

OW051742 Beijing XINHUA in English 1434 GMT 5 Mar 86

[Text] Guangzhou, March 5 (XINHUA)--South China's Hainan Island experienced its fastest economic growth in 1985, despite difficulties and setbacks.

Its gross social output value increased 11 percent over the previous year to 6.33 billion yuan, according to the local statistics department today.

The figures also show an eight percent increase in income and a 12.8 percent increase in gross industrial and agricultural output value over 1984, which total 3.56 million and 3.665 billion yuan, respectively.

Per capita annual income in rural areas went up from 169 yuan in 1980 to 365 yuan in 1985. Urban workers got an increase of 119 yuan over the previous year, and the per capita annual income for urban families was 778 yuan.

Hainan's economy began to pick up speed in 1980 when it began to solicit foreign investment.

In the past five years the island has signed 230 joint venture and cooperation contracts, involving 215 million U.S. dollars in overseas investment.

In addition, it carried out economic cooperation projects with 24 provinces and autonomous regions, drawing 232 million yuan and 63 million U.S. dollars in foreign exchange.

Hainan, the second biggest island in China, cashed in on its tropical climate by expanding its rubber plantations and other tropical crop cultivation. During the five years, rubber-growing areas have increased by 73,600 hectares, equivalent to one third of the past 30-year total. Growing areas for sugarcane, tea, fruit and other cash crops also increased significantly.

In industry, local enterprises suffered losses for six years running through 1977 to 1982, but a turning point was reached in 1983; by 1985, profits reached 25 million yuan and the number of loss-making enterprises went down from 64 percent to 23 percent. The light and textile industries, which used to be nonexistent in the area only a few years ago, have started to spring up.

Five of 11 key construction projects are nearing completion, and the enlarged Haikou airfield has started a charter flight service to Hong Kong. The increased handling capacity of reconstructed harbors and the newly-built railways and highways have done much to promote Hainan's trade with foreign countries; total exports in 1985 were valued at 76.13 million U.S. dollars, three times the figure for 1980.

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CSO: 4020/245

SICHUAN VICE GOVERNOR URGES VIGOROUS ECONOMIC DEVELOPMENT

Chengdu SICHUAN RIBAO in Chinese 4 Nov 85 p 2

[Article by Gu Jinchi [7358 6855 3069]: "Sichuan Vice Governor Urges Vigorous Development of Economy This Winter and Next Spring"]

[Text] I. The Current Economic Situation

How can we assess accurately the present state of the economy? We can do it mainly by determining whether the major ratios in the national economy are coordinated, whether the economy is capable of being developed continuously at the proper speed and in a stable manner, whether a higher degree of economic and social effectiveness can be achieved and whether the people are actually being benefited. It is vitally important that we make an accurate analysis and assessment of the present economic situation in our province in this context if we are to achieve a common understanding, to continue to bring about reforms and to promote the further development of the national economy. Since the beginning of this year, the various localities and departments in our province have, in line with the policy of reform of the party Central Committee and the State Council of "not yielding ground, dealing with the initial phase of the struggle with great care and seeking to achieve victory at all cost," put into effect the spirit of the relevant State Council meetings by strengthening macroeconomic control and by continuing our efforts to invigorate the microeconomy. Generally speaking, the province has done well in bringing about reforms and in developing the economy in the following areas:

1. Launching of an Overall and Thorough Reform of the Economic System in the Cities

The decisions adopted at the 3d Plenum of the 12th CPC Central Committee in October last year marked the beginning of a new phase in the overall reform of our economic system. In line with the spirit of the "Decisions," our province, in bringing about economic reforms, put its emphasis on invigorating enterprises, especially large and medium-sized state enterprises. With that as the center of gravity, new reforms have been made in the responsibility system within enterprises, the leadership structure, the cadre structure, the labor system, and the form of distribution: the system of holding the factory director responsible has become more widely adopted; the

establishment by some enterprises of a link between the total amount of wages and profit taxes paid to the state and between the amount of wages paid to the staff workers and the economic effectiveness of the enterprises has added new meaning to the economic responsibility system within enterprises. The enterprises under the jurisdiction of the province have basically completed the task of reforming the enterprises in the outlying areas; the departments and bureaus on the provincial level have made a start in taking a hand in the administration of the trades and businesses and created the necessary conditions in the outlying areas for the invigoration of enterprises; the role played by the cities has become more evident; the scope for directive control over planning has been further reduced and market adjustments have been increased to the proper extent; the readjustment tax paid by large and medium-sized state enterprises has been reduced to the extent that can be borne by the treasury. These reforms have added to the vigor, mobility and power of enterprises. Small enterprises in particular have been greatly invigorated.

The reform of the system of commodity prices and wages, which serves as the focal point for reforms this year, has been carried out in a basically satisfactory manner. The single-price format has been replaced by the multiple-price format. Although retail prices for such subsidiary agricultural products as pork and vegetables have gone up following the lifting of price control, market prices have not shown wide fluctuations and the situation has been relatively stable. These developments have served to point the way to further reforms in the price structure.

One obvious gain achieved in the reform of the economic structure this year is that, in seeking to establish a link between the strengthening of macroeconomic control and the invigoration of the microeconomy, the various localities, departments, and enterprises have gained valuable experience and come up with effective measures for exercising initial control over the scope of credit loans, the amount of currency put into circulation, and the tendency for the continual expansion of consumer funds and capital construction. By struggling for survival under difficult conditions, producing what is good during a period of shortage and making a concerted effort to tide over difficulties, we have basically come up with the necessary funds for spring and late autumn agricultural production and for purchasing subsidiary agricultural products. So long as we continue to work in keeping with this spirit, it is certain that we shall be able to establish a link between exercising macroeconomic control and invigorating the microeconomy and to find a solution to the problems confronting us.

2. The Attainment of a Proper Ratio in the Development of Agriculture and Light and Heavy Industries and the Sustained, Stable and Coordinated Development of the Economy

First, the pace of the second phase of the reform of the rural areas is being speeded up, the readjustment of the industrial structure in the rural areas is being made in the proper direction and agriculture, forestry, livestock breeding, sideline production, and fishery are being developed fully. The economic pattern of multiple agricultural, industrial, commercial, and transportation operations is gradually taking shape.

Second, the ratio between the light and heavy industries is tending to become more reasonable in 1984. The production value of light industries constituted 47.7 percent, while that of heavy industries constituted 52.3 percent of the GVIO. This ratio has basically been maintained in 1985. Since August, the various localities and departments, with a view to meeting the needs of the post-autumn peak marketing season, have directed their efforts toward increasing the production of such light industry products as television sets, washing machines, and refrigerators. With the strengthening of macroeconomic control, the GVIO from January to September, which showed an increase of 20.3 percent compared to the same period last year, has been increasing at a normal rate. At the same time, economic effectiveness has also registered an increase. From January to August 1985, the rate of labor productivity of state-owned industrial enterprises having independent accounting showed an increase of 13.8 percent compared to the same period in 1984. According to budgetary estimates, there will be an increase of 8.6 percent in profit taxes paid by the industries in the localities.

3. Market Prosperity in the Cities and Rural Areas and Notable Increase in the Purchasing Power of the Masses

The readjustment of the ownership structure in the field of circulation has served to promote the development of the various economic components, especially those of individual commercial enterprises. The unprecedented prosperity of country fair trade in the cities and rural areas has made it a major channel for the circulation of commodities in society. The circulation of commodities between the provinces has been expanded, while the markets beyond the province have been enlarged. There is an increased amount of goods held in stock and of commodities in short supply, while the structure of commodities has become more equitable.

With the development of production, the purchasing power of the masses has shown a notable increase while the structure of consumer goods has also undergone a vast change. From January to September 1985, the retail sales of commodities in society throughout the province increased 21.8 percent, while the amount of retail sale of consumer products to the residents of the province showed an increase of 24.4 percent compared to the same period in 1984. The demand for durable goods of high quality by residents of cities and rural areas is on the rise, while the amount of savings deposits in the cities and rural areas has also increased considerably.

4. A Good Start Has Been Made in Promoting Economic and Technical Cooperation and Exchange with Foreign Countries

Since the beginning of the year, our province, with a view to implementing the open door policy in an earnest manner, has, by holding discussions on international technical cooperation and trade and engaging in economic and technical cooperation with four provinces and five regions, developed multichannel, multilevel and multiform economic and technical cooperation and trade within and beyond the province and with foreign countries. By making use of foreign capital, importing technologies, undertaking the signing of construction contracts with domestic and foreign concerns, exporting labor services and developing the tourist trade, the province has made a start in

implementing the open door policy and in promoting projects of cooperation and exchange. Up to the moment, the province has established friendly relations with 12 provinces, cities and states in 6 countries. According to incomplete statistics, the province has also established economic and technical cooperation and trade relations with 86 countries and regions.

As a result of the development of production and the expansion of circulation, there is a favorable balance in revenues and expenditures. From January to September, the revenues of the province have increased 24.2 percent compared to the same period last year, while revenues from industrial and commercial taxes have increased 29.5 percent. Expenditures have been lower than revenues.

The situation indicated above shows the favorable trend of economic development in the province, a development made possible by the concerted efforts of all the people in the province. What has been achieved with much effort deserves to be cherished. It should, however, be recognized that while some progress has been made, we must direct our attention and concerted efforts to certain problems and difficulties that still remain if they are to be properly resolved.

II. Work To Be Done in the Economic Field This Winter and Next Spring

We must do a creditable job in the economic field this winter and next spring if we are to exceed the quota set by the Sixth 5-Year Plan and to achieve an initial victory in fulfilling the quota for the Seventh 5-Year Plan period. To that end, we must have a clear-cut guiding ideology in approaching our economic work in the following areas: First, we must continue to attach primary importance to the work of reform. Second, we must direct our efforts toward the enhancement of economic effectiveness, regard the benefit of the entire society as a matter of high priority and deal with the relationship between the achievement of economic effectiveness and the pace of economic development in such a way that we may develop the national economy according to plan and on the proper scale. Third, we must greatly increase our efforts in bringing about the establishment of a socialist spiritual civilization while directing our efforts toward the establishment of a material civilization.

1. We Must Give Priority to Reforms and Further Invigorate Enterprises

We must regard the introduction of reforms a mission of major importance not only this winter and next spring, but also during the Seventh 5-Year Plan period in the economic work of our province. We must take advantage of the present favorable opportunity to further enhance the vitality of enterprises, especially large and medium-sized state-owned enterprises, to establish and to develop the socialist commodity market, to strengthen indirect macroeconomic control and to boldly explore ways and means to discover and to resolve the various problems to enable us to bring about reforms in a proper manner. The three reforms mentioned above are interrelated and are centered around the invigoration of enterprises. We must give more power to enterprises, because that is the only way they can be invigorated.

Following the issuance of the "10 Regulations for the Granting of Expanded Powers" by the State Council last year, the provincial party committee and government issued a series of regulations at various times for the simplification of administrative procedures and the granting of more autonomous powers to the enterprises on the basis of the existing circumtances of the province. Recently, the State Council has again passed on the "Provisional Regulations Concerning Certain Problems in Enhancing the Vigor of Large and Medium-Sized State Industrial Enterprises" issued by the State Economic Commission and the State Commission for Restructuring the Economic System. These regulations must be implemented one by one. At the same time, assistance must be given the enterprises to further improve their internal administration and action must be taken to rectify the situation marked by the low technical standard and backward administration of certain enterprises in our province.

We must regard it a matter of importance to bring about a complete set of reforms on planning and price control. The various localities and departments, instead of adding at each level to the quota set by the directive plan handed down to enterprises by the state and the province, must give enterprises more leeway. In handing down directive plans for production, allocation and the transfer of commodities, provision must be made for such production needs as raw materials, energy supply, and transportation facilities. As regards nondirective plans for the production, allocation, and transfer of commodities, enterprises must be permitted to set their own prices within a certain range unless other provisions have been made by the state.

Henceforth, no department or unit is to be permitted, without the approval of the provincial government, to require the enterprises to share expenses, to raise funds, and to give their "support" so that the social responsibility of the enterprises may be reduced.

It is necessary to conduct experiments for the "alteration, transfer, and organization" of small state-run industrial enterprises. These enterprises should be administered according to the method applying to state-owned and collectively-operated enterprises, or they should be reformed into state-owned collective enterprises and operated on a lease. This pattern is applicable not only to small state commercial enterprises, but small state industrial enterprises as well. The various cities, areas and prefectures may engage in experimenting with the "alteration, transfer, and organization" of applicable small state industrial enterprises in the light of actual specific circumstances.

2. Control over the Scale of Investment in Fixed Assets and Enhancement of Investment Effectiveness

One pressing problem confronting our province this winter and next spring is how to exercise more effective control over the scale of investment in fixed assets. In dealing with this problem, we must be firm in our resolve to implement the measures which have been adopted.

A firm resolve is key to the exercise of effective control over the scale of capital construction in our province. The cadres at various levels must put into action the gist of what was said by leadership comrades in the party Central Committee regarding the need to exercise control over the scale of capital construction, unify their thoughts and direct their efforts toward bringing about reforms by the creation of a more relaxed economic environment.

The major reason accounting for the excessive scale of capital construction in our province is the inordinate increase in investments outside the plan. From January to September, the amount invested in capital construction in various localities throughout the province showed a decrease of 0.9 percent under the amount listed in the budget and an increase of 96.1 percent over the amount outside the budget compared to the same period last year. It must be realized that, from the financial and material point of view, it would be difficult to engage in and to sustain capital construction on such a scale and that it would have undesirable consequences on economic life as a whole. It is imperative that we exercise control over the scale of capital construction, especially that outside the plan. We must adopt a firm stand, make decisions without any waste of time, take prompt action and hold the initiative so that the improved financial and economic situation which has basically been brought about may be sustained.

In exercising control over the scale of capital construction, we must avoid empty talk and take concrete action. Since the beginning of the year, the State Council has drawn up a series of policy measures for controlling the scope of investment in fixed assets. Specific provisions have also been formulated by the province. Recently, eight proposals were made in a provincewide telephone conference. These proposals must be implemented by the various localities and departments.

In exercising control over the scope of investments, our province must implement conscientiously the following measures formulated by the state and the province: First, without the approval of the provincial government, the localities are not to be permitted to invest in new projects this winter and next year; second, a further check must be made on projects already under construction to determine which projects are to be continued, which are to be scrubbed, and which are to be suspended; third, it is strictly forbidden to use circulating-fund loans from the banks and the circulating funds of the enterprises for investing in capital construction; fourth, capital construction must be undertaken according to procedure and the responsibility system of the various projects must be strictly enforced.

3. Efforts Must Be Made To Improve Product Quality and To Reduce Material Waste

The major task of the province in the industrial field and in the area of transportation now and for a considerable period of time in the future is to centralize its leadership and its technical and financial power to improve the quality of its products and to reduce material waste as soon as possible so that it may embark on a new road marked by high economic and social effectiveness and rapid development.

Situated in the hinterland, our province had a late start in its industrial development. To create and enlarge its market for industrial products, it must ensure that they are "high in quality, low in price, and new in appearance." Economic departments at various levels and all enterprises must exercise greater control over the quality of their products and regard it as an important item on the agenda as the party organizations of enterprises are being consolidated. Through the consolidation of party organizations, it will be possible to instill firmly the idea of "gaining victory through the achievement of high quality" in the minds of those in leadership positions down to the level of staff workers. At the same time, we must enforce the policy measure of upgrading the quality of our products. Within the limits of its authority, our province should set different prices for certain major products according to their quality, encourage the production of well-known and high-quality products and put a limit on the production of inferior commodities. In allocating funds and extending loans for technical reforms, the economic planning and financial departments at various levels must give priority to those projects which make use of new technologies, which seek to improve the quality of their products, and which reduce energy consumption and material wastage. The various industrial enterprises must organize and perfect quality-inspection units, upgrade the standard of inspection, and strengthen supervision over quality. Henceforth, enterprises selling products of inferior quality are to be dealt with according to the circumstances. All trades and businesses must set and check accurately the amount of energy consumption for the production of various commodities. Those enterprises having achieved notable results in conserving the use of energy and reducing waste are to be given awards, while those having a poor record are required to remedy the situation within a fixed period of time. The bonuses paid the enterprises according to the provisional measures formulated by the state for conserving such fuels as coal, coke, and electricity are to be considered taxable. The major raw materials conserved by the enterprises are to be retained for their own use and allocation quotas set by the plan are not to be reduced.

4. Exercise of Macroeconomic Control over Banking Operations and Invigoration of the Economy in the Cities and Rural Areas

In the next few months, when the production, purchasing, and marketing season is at its peak, there will be a great demand for funds and larger amounts of currency in circulation. Banking units must exercise strict control over the scale of credit loans so as not to exceed the quota set for the entire year. During the fourth quarter, banking departments at various levels must take advantage of the opportunity presented by increased wages paid to certain staff workers and larger incomes earned by peasants to increase the amount of savings deposits in cities and rural areas and to continue to settle outstanding accounts and overdue loans. We must do a creditable job in the accommodation of funds, strengthen vertical control over funds needed in different places at different times, and make a concerted effort to narrow the gap between the supply and demand of funds. At the same time, we must strengthen administration of the money market and exercise strict control over the raising of funds in society.

5. Formulation of Meticulous Plans for the Market and the Exercise of Strict Control Over Commodity Prices

The consolidation and development of the prosperous situation in the market and the achievement of basic stability in commodity prices are major economic and political problems to which we must direct our attention so that proper plans for the market, especially during this winter and next spring, may be made, that commodity prices may be put under control, and that good order may be maintained in the socialist market.

Regarding commodity prices, what is required is the resolute implementation of the Central Committee policy of "integrating deregulation and readjustment and advancing one small step at a time." This winter and next spring, our province will not, generally speaking, propose new measures for increasing prices. At this time, we should place emphasis on controlling the prices of such major subsidiary foodstuffs as pork, eggs, vegetables, and cooking oil. We must ensure the adequate production and supply of vegetables. Recently, there has been a considerable increase in the prices of vegetables in large and medium-sized cities. While part of the increase is caused by natural disasters, part of it is due to faulty operations. At present, little enthusiasm is shown by vegetable farmers in the city suburbs in growing vegetables and by vegetable stores in their operations. This has made it difficult for vegetable markets in the large and medium-sized cities to adjust the supply of vegetables and prevent prices from going up. The mayors of the various cities and the directors of the various commercial bureaus must show personal concern in the vegetable market, further rectify the conception and workstyle in vegetable market operations and establish and perfect the operational responsibility system. The acreage for the production of vegetables in the suburbs must be maintained and vegetable production properly developed in the outer suburbs. Retail vegetable stores owned by the state must not be permitted to engage in other businesses at will. Specific retail vegetable stores, with the approval of the authorities, may apply for exemption from the payment of retail taxes. At the same time, the reform of the vegetable operations structure must be speeded up and the enthusiasm of vegetable farmers and marketing agents further activated.

In exercising price control, the actual prices of commodities must be clearly labelled and all weighing machines must be checked at regular periods. Heavy fines are to be imposed for violations of the price policy and those guilty of serious offenses are to be held criminally accountable. Price-control units and the responsible departments at various levels must fearlessly exercise their responsibility for supervision and inspection. At the same time, large numbers of consumers should be organized to engage in the work of supervision. The industrial, commercial, taxation, commodity prices, banking, public security, health, and other concerned departments must participate in the work of supervision in conjunction with the masses and set up vertical and horizontal supervision and inspection networks throughout the province to exercise overall control over commodity prices.

6. Maintenance of Open Door Policy and Creation of New Conditions for Increasing the Amount of Exports and Foreign Exchange Earnings

The province has made considerable progress in recent years in engaging in economic operations with foreign countries. Henceforth, efforts must be made to achieve a breakthrough in the export of commodities and labor services and the development of the tourist trade.

Further progress must be made in the export of commodities. One pressing need is the readjustment of the structure of export products. Aside from the traditional export items, it is necessary to promote the export of new, well-known and high-quality products. Further studies must also be made regarding the granting of special privileges to enterprises and units earning foreign exchange and the establishment of bases and special factories for the production of export commodities.

The export of labor and the development of tourism are promising industries of the province. As regards the export of labor, it is, first, necessary that we provide adequate training for construction workers and improve the technical standard and the quality of our work to increase our ability to compete. Second, we must continue to develop the key role played by the staff workers of the state enterprises in our province and the advantage enjoyed by our construction workers in the rural areas so that we may engage in joint operations and enlarge our foreign market. Third, we must exercise greater control over the various trades and businesses and take a united stand in our external dealings. During the off-season for tourism in our province this winter and next spring, we must engage assiduously in preparatory work to improve the scenic spots in Emai and the Chang Jiang Gorges and develop Huanglong-Jiuzhaigou and other scenic sports with favorable communication facilities and good prospects. We must lay a sound foundation for planning and for making available the supply of labor, materials, and funds and carry out the projects step by step and one at a time. We must also provide training to the contingents of staff workers in the tourist industry.

7. General Inspection of Taxation, Finances, Credit Loans, and Commodity Prices and Enforcement of Strict Financial, Economic, and Commodity Price Discipline

Several plans have been put forward by the provincial government to launch a general inspection of tax revenues, finances, and commodity prices in conformance with the policy of the State Council. A start has already been made in the checking of credit loans. The following items of work must now be attended to: First, we must take a further step in establishing leadership in the organizations; second, we must, within a fixed period of time, come to grips with the focal points, concentrate on making a thorough investigation into and dealing properly with the problems that are of a serious nature, that have grave consequences and those over which the masses have expressed serious concern so that we may strengthen the confidence and determination of the cadres and the masses in the work being done; third, we must begin to put things in good order even while investigation is underway. While engaged in investigation, we must avoid judging a case without reference to its background and engaging in investigation without learning a lesson or trying to put things in good order. We must establish a link between investigation, party education, and education in the need to observe discipline and to comply with the law.

8. Transmitting the Annual Plan and Formulating the Seventh 5-Year Plan

The drawing up of the Seventh 5-Year Plan and the formulation of the plan for next year are important items of work which must be attended to. As the saying goes, "adequate preparation spells success, while the lack of it spells failure." At present, the work of drawing up the Seventh 5-Year Plan is in progress in the province, the cities, the regions, and the prefectures. The various localities must beef up their leadership, organize the necessary forces, engage in research, make an accurate forecast and study ways and means to deal with the situation so that the plan may tie in with the strategic layout made by the state and the special features of Sichuan and the various cities, localities, and prefectures of the province. In that regard, we must bear in mind the guiding thought on the drawing up of the Seventh 5-Year Plan provided by the CPC National Congress in dealing properly with the relationship between speed and effectiveness, in increasing production while consideration is being given to the need to improve the quality of the products, on the one hand, and economic effectiveness, on the other, in dealing properly with the relationship between what is necessary and what is possible, in engaging in capital construction and technical reform within the limits of our capability, and in dealing properly with the relationship between the readjustment of the industrial structure in the rural areas and the stable increase in the production of grain in order to promote vigorously the commodity economy in rural areas.

The year 1986 marks the first year of the Seventh 5-Year Plan. From now on, efforts must be made to engage in various kinds of preparatory work. At the moment, major attention must be given to the drawing up of various plans for next year. On principle, the plan for 1986 and the specific plans of the various departments should be handed down to the various localities, cities, and prefectures before November so that they may have sufficient time to make the necessary preparations for their implementation without any waste of time. Efforts must also be made to keep the facilities in good repair and to ensure the supply of raw materials, fuel, and subsidiary materials.

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ECONOMIC MANAGEMENT

SHAANXI GOVERNOR DISCUSSES SUPPLY OF GOODS

Xi'an SHAANXI RIBAO in Chinese 6 Dec 85 p 1

[Article by reporter Zhou Fu [0719 4395]: "State Commerce Must Control the Supply of Goods and Give Full Play to Its Role the Main Channel, Governor Li Qingwei Notes at Symposium on Financial and Trade Work"]

[Text] State commerce must have the supply of goods under control, actively participate in market regulation, and give full play to its role as the main channel. This was pointed out on 5 December by Governor Li Qingwei [2621 1987 0251] in his speech at the provincial symposium on financial and trade work.

Governor Li Qingwei said that the urban and rural market situation throughout Shaanxi Province has been extremely good since the beginning of this year. The market is flourishing, enjoying brisk buying and selling; the price reform has had a smooth start; the price of daily necessities is relatively stable; credit funs are under control; the financial situation is obviously improved, and there has been considerable improvement in living standards. However, with the steady increase in income in urban and rural areas and changes in market development, contradictions between supply and demand are becoming more prominent; thus the tasks facing the financial and trade front are arduous.

1. State commerce should actively participate in market regulation, expand the scope of operations, put the supply of goods under control, guide the market, keep down prices and give full play to its role as the main channel in circulation. State commerce must be in control of the vital means of production and the supply of the durable industrial products which are critically short. State wholesale commercial enterprises should prepare well for seasonal reserves, play the role of reservoir and overcome the attitude of putting profits above everything else. The key to improving the market at present lies in making better arrangement for the supply of vital nonstaple food items, such as meat, eggs, and vegetables. The autumn vegetable situation is excellent across Shaanxi Province this year. The state-owned vegetable companies should each endeavor to make up the other's deficiency from its own surplus, regulate variety, and stabilize vegetable prices in an efficient and organized way. The business volume of the vegetable companies in large and medium cities such as Xi'an and industrial

and mining areas must constitute more than 50 percent of the gross sales volume in society. We should strengthen the procurement of farm produce and sideline products. The food department in particular must procure and allocate hogs, beef cattle, meat sheep, and eggs to the maximum this year so as to enhance the supply in support of the marketing areas.

2. We should concentrate on grain procurement and sales and make proper arrangements to ensure the welfare of people in disaster-stricken and grain-deficient areas.

3. The rising price index must be strictly controlled. The key to stabilizing market prices lies in the stabilization of nonstaple food prices. For this reason, various localities must adopt measures prior to the Spring Festival to put the price of nonstaple foods, such as meat, eggs, and vegetables, under effective control. Collectively owned shops and individual small retailers must abide by the state principles guiding and setting prices for major nonstaple food items.

At the symposium, Governor Li Qingwei also urged Shaanxi's banks at all levels to enhance macroeconomic regulation and control and at the same time tighten control of credit funds with flexibility; financial departments should continually work on increasing output and income and strictly curb various expenditures so as to achieve a balance in revenues and expenditures; they should curtail administrative expenses and take strict measures against yearend spending sprees. Various financial and trade departments should make concerted efforts to achieve still greater success in financial and trade work throughout Shaanxi Province.

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ECONOMIC MANAGEMENT

VIABLE SYSTEM OF MANAGING CONSUMER GOODS INDUSTRY DISCUSSED

Beijing RENMIN RIBAO in Chinese 31 Jan 86 p 5

[Article by Liu Fengchang [0491 1496 2490]: "Establish a Viable Management System for the Consumer Goods Industry"]

[Text] Why is it that the consumer goods industry has lagged seriously in meeting the needs for higher living standards for so long? The crux of the matter lies in the fact that the management system of the consumer goods industry in the past was incompatible with the characteristics of the consumer goods industry and even ran counter to it, thereby impeding its development.

The main characteristics of the consumer goods industry are its multiplicity and changeability involving numerous products and endless changes. Compared with the means of production, there are several thousandfold more products. For example, a kind of rolled steel as the means of production, once processed by the consumer goods industry, can be turned into several hundred and even thousand kinds of consumer goods. This multiplicity is determined by the multiplicity in the people's livelihood and since the daily needs of the people are ever changing, they in turn determine the multiple changeability of consumer goods. The characteristics of multiplicity and ever changeability in the consumer goods industry demand that its management system be full of life and vitality. However, the management system of China's consumer goods industry since the founding of new China has been overcentralized and rigidly controlled on the whole, making it incompatible with all its characteristics as shown in the main as follows:

First, the highly centralized planned management is incompatible with the multiplicity characteristic of the products. Our planning is manadatory. The supply of raw materials for all products included in the plan and their sales are guaranteed as if they were in safekeeping in a safe deposit box. As a result, various departments and areas fight to get their products included in related plans. This has resulted in bickering from months to years. Consequently, more products are included in the plans year after year and the plan records are getting thicker and thicker in volume each year; but the plans are increasingly out of touch with reality. However, regardless of bickering, it is objectively impossible to include tens of thousands of industrial consumer goods in the plans, which will still be far from complete even though only several hundred are listed; in the end most products are still being left out. Furthermore, products that are not included in the

plans amount to being listed in separate records since neither raw materials nor sales channels are available to them. As a result, many consumer goods are often found out of stock in the market, seriously affecting the people's daily life. Whenever there is an urgent need for the people's daily necessities, interim emergency measures have to be taken with the leadership at all levels personally taking part in increasing production. Instances of a vice premier in charge of passing out cards, a municipal CPC committee secretary watching the chimney, and a provincial CPC committee secretary taking charge of an iron pot have occurred in the past.

Second, the system of state monopoly for purchase and marketing is incompatible with the ever changing characteristics of products. The purchase and marketing of our industrial consumer goods in the past were monopolized by commercial departments. The factories, operated behind closed doors with a wall separating them from the market and consumers, can neither see market changes nor receive information feedback. Moreover, as the buyer's market that lingers on for a long time is "trouble-free" like "the daughter of an emperor having no trouble being married off" because if things are in short supply, coupons can be issued to limit the amount of purchase. In this way the market and the consumers cannot react readily to the factories, which under pressure will lose the motivation to improve and update their products. As a result, they perpetuate the pattern and shape of products and the consistent system that existed for several decades that cannot in any way cope with the ever changing needs in the people's livelihood. Facts have proved that this type of management system of the consumer goods industry shackles the development of the consumer goods industry, further development of which will be futile without reform.

The reform of the management system of China's consumer goods industry has had a good start since the 3d Plenum of the 11th CPC Central Committee.

First, the practice of monopolizing purchasing and marketing by state commerce has been gradually changed in the circulation sphere. Beginning from 1979, light industry administrative departments and enterprises at all levels have embarked on selling things by themselves. They set up additional sales departments one after the other, sponsored meetings to promote sales and accept orders for goods, and carried out extensive business activities, such as delivering goods to the door, extending services to households, and putting up advertisements and other publicity. As the network of selling goods by industry itself is gradually taking shape, the proportion of things sold by industry itself has increased annually. Take the light industry departments, for example, by 1985, the proportion of consumer goods sold by industry itself amounted to more than 60 percent. This is a significant breakthrough in the reform of the management system of the consumer goods industry.

1. It has dismantled the high wall separating industrial enterprises from the market and the consumers. The enterprises changing from closed to open operations can now witness changes in the market with their own eyes and hear the voice of consumers, responding quickly to information feedback. Thus, enterprises will be able to expeditiously readjust the service orientation

and change the product mix based on market changes and consumer demands so as to cope with the ever growing and changing needs in the market and the people's livelihood.

2. It has turned an enterprise from a production-only entity to that involving both production and management so that it grasps production as well as management. By combining production with circulation, it has also changed the abnormal situation in the past with the industry announcing good news (in pursuit of quantity), the commerce reporting bad news (having large stocks of goods), and the financial departments announcing deficits.

Second, significant reform has been carried out in the planned management system. At present, except for a few products among industrial consumer goods, such as chemical fiber, polymerized chemical fiber, newsprint, cigarettes, and salt that are still under the state mandatory or semimandatory plans, all others have been shifted toward guidance planning and market regulation, thereby laying a groundwork for setting up step by step a management system of the consumer goods industry that is full of life and vitality.

In short, the reform of the management system of China's consumer goods industry had a good start during the Sixth 5-Year Plan period as a prosperous situation unprecedented since the founding of new China appeared in the market for light industry products. However, judging from the refrom on the whole it is only a beginning, since the reform is still not well coordinated in many ways and it has not been carried out very effectively in the most critical link.

The critical link is the reform of the price system. In spite of the fact that we have shifted most of the products of the consumer goods industry from manadatory planning to guidance planning and market regulation, we still have not been able to apply the price lever and carry out market regulation very effectively because the reform of the price system is not progressing at the same pace. The reform of the price system becomes a critical link. To set up a management system of the consumer goods industry that is full of life and vitality, the pricing system for products of the consumer goods industry must be reformed in a planned and systematic way. We should let the price lever play an expeditious role in regulating the supply and demand of unsalable and critically short products in the market. We should differentiate the quality price between brand name and new products and other products in general and differentiate the price between hot-selling and unsalable products and price differences in slack and brisk seasons. Only by so doing can we guide production and regulate the market to achieve a supply-demand equilibrium, bring up the quality of products, increase variety, develop new products, and advance the consumer goods industry more effectively.

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ECONOMIC MANAGEMENT

STEPS TO RATIONALIZE MARKET PRICE CONTROL DISCUSSED

Chengdu SICHUAN RIBAO in Chinese 30 Dec 85 p 3

[Article by Sichuan Price Bureau: "Uphold Reform, Bring Market Price Control to a Rational Level"]

[Text] A rational price system is an important prerequisite for the development of a national economy. The reform of the price system holds the key to the success or failure of the reform of the entire system. In line with the unified planning of the CPC Central Committee and the State Council, Sichuan Province has successfully adopted certain reform measures based on the principles of "marching forward in coordinated and steady steps" and "proceeding with caution to ensure victory for the first battle" and readjusted the rural grain price, decontrolled hog prices, adequately raised the short-distance transportation price by railways, and readjusted the price of timber and the price parities between the types and variety of coal, and so forth. After these items of reform were put into effect, the purchasing and marketing price of pork, the price of coal and the general price level all rose to a certain extent, which was normal. Such a rise is conducive to mobilizing the enthusiasm for hog-raising by peasants and coal mining by miners. In 1985, the number of hogs slaughtered in Sichuan registered an increase of more than 5 million head over the preceding year, playing a vital role in ensuring market supply within the province and also supporting exports as well as supplies to other large cities, such as Beijing, Tianjin, and Shanghai. It is estimated that Sichuan will produce an additional 1 million-plus tons of coal to ease supply and demand to some extent. All this has a direct bearing on the rational adjustment of price.

However, due to the runaway macroeconomic control at the end of 1984, the playing down of the role of state commerce as the main channel, the lack of correct business attitude in some units, the failure to provide the essential followup measures after certain reform projects were launched, failure by some enterprises to heed the rise in prices for raw materials consumed internally, and indiscriminate price hikes by some units and individuals taking advantage of the reform, and other reasons, the general price level in Sichuan has gone up considerably. This is particularly true of the prices of nonstable foods, such as vegetables and eggs, closely related to the people's livelihood which rose excessively, to the displeasure of the masses. These matters if not handled properly will equally affect the progress of price reform and the restructuring of the entire economic system in Sichuan Province.

How to basically stabilize price in the course of price reform is an issue of great importance to the party committees and governments at all levels. Since the beginning of this year, in keeping with the plans and demands of the state, the provincial CPC committee and the provincial government have adopted a series of vital measures in the area of macroeconomic control to basically curb the rise of commodity prices. Recently they also called special meetings to study the matter and issued circulars one after another laying down specific targets and measures for controlling the price hikes. Judging from the progress of implementation in various localities, the results have been outstanding and the excessive price hikes in Sichuan have been basically controlled. However, vegetable prices are still comparatively high in some cities, not having dropped down to a reasonable level. Affected by price hikes in raw materials, the pressure for price hikes in some commodities remains tremendous. The readjustment of wages and the increase of money in circulation for purchasing farm produce and sideline products will have an impact on market prices in Sichuan this winter and next spring. All this requires us to see the situation clearly, uphold the reform, adopt measures and work effectively to bring market prices in Sichuan under control at a reasonable level this winter and next spring.

1. We should stabilize the price of major nonstaple foods, such as pork, vegetables, vegetable oil, and eggs, in a down-to-earth way. In regard to vegetables, first, we should ensure the sown acreage, the vegetable bases designated by the state must grow vegetables. Second, as a matter of policy, the vegetables delivered in large quantities by the peasants growing them should be linked up in return with grain, edible oil, coal, and chemical fertilizer to be supplied to them at a fixed-price parity; the vegetables should also be supplemented with industrial and sideline enterprises. Contracts should be signed to ensure that peasants in the vegetable bases deliver large quantities of vegetables to the state at fixed ratios. The state-owned vegetable companies should give full play to their role as the main channel through active operations. Maximum price limits should be set for the major varieties of vegatables being supplied in large quantities. With regard to pork, the state-owned food companies should give full play to their role as the main channel by maintaining an adequate supply and continually implementing the principle of "ensuring supplying the local market first before allocating to other places" so as to ensure that the amount of market supply will not drop below the level for the same period in the preceding year. Sales of state-owned food departments cannot be contracted out to individuals. Besides guiding selling price and setting maximum price limits, the price and industrial and commercial administrative departments should strengthen market control and curb the unhealthy trends of passing off inferior grades as superior ones and raising prices in disguise. Besides ensuring the supply of a fixed amount of vegetable oil at par, a fixed quantity of medium-priced oil should also be supplied to large and medium cities and county towns. The method of supplying eggs at a set price should be adopted according to actual conditions in various localities. To stabilize the price of major nonstaple food items, such as pork, vegetables, vegetable oil, and eggs in a down-to-earth way, we must energetically develop commodity production. We should reduce administrative orders and apply macroeconomic levers, such as by applying protective prices for farm produce and sideline

products so as to fully mobilize the peasants' enthusiasm for developing commodity production.

2. We should carry out price inspection effectively a step further and strengthen supervision and control over prices. Inspection at present should be focused on the price of major nonstaple food items, major industrial consumer goods, important means of production closely related to the people and on fees charged for items other than commodities. We should continue to popularize the use of unified price tags for goods, insist on clearly marking prices, and oppose any act of hiking prices in disguise. We should strengthen the regular check of weights and measures and issue certificates of inspection to those meeting the required standards; those failing to meet specifications will not be issued a certificate of inspection and cannot be used in the market. We should effectively organize voluntary supervision by the masses and earnestly set up and give play to the voluntary inspection organizations of workers and staff members and the role of their personnel. In handling price violation cases, heavy penalties should be given to units and individuals who resorted to treacherous means, whose cases are more serious, affecting an extensive area, and who refused to mend their ways despite repeated admonitions.

3. We should concentrate on making full use of the potential of light industry enterprises and tighten guidance and control of the prices of the means of production not included in the plan. The general principle applied should be modeled on the one pointed out in the proposal for the Seventh 5-Year Plan: "The increase in production cost due to the rising prices of major means of production should be offset as much as possible by raising labor productivity, reducing consumption of energy and materials, and making full use of enterprises' potential. We must strictly control the extent of price increases." The specific course of action is that while putting the stress on making full use of the enterprises' potential, we should take care of the matter according to different targets in keeping with the actual conditions relating to the production of light industry products in Sichuan. Price hikes are not permitted for products which could still make a profit even after the prices of raw materials were raised. As to some commodities that are critically short in the market, if the enterprises producing them indeed are having great trouble in making full use of their potential, taxes may be adequately exempted with the approval of the tax departments, or this matter can be solved with the commercial departments yielding profits to the industry. This matter can also be solved in other ways, such as by giving adequate subsidies from financial revenues or by adequately increasing the supply of raw materials within the plan. With respect to the price for heavy industry products, at present we should in the main strengthen control over prices of the vital means of production, such as rolled steel, pig iron, and cement, and at the same time give priority to control and guidance over market prices not included in the plan.

4. We should strengthen the management of urban and rural peasant trade fairs and small retailers. Inspection should be carried out expeditiously on such acts as selling goods purchased at forced-down price at a higher price at a higher price, cheating, and riding roughshod in the market, selling

decayed and degenerated goods, adulerating goods, and cheating on weights, we should sternly deal with and curb the unhealthy tendencies of indiscriminate price hikes so as to protect the interests of producers and consumers.

New Year and spring festival are approaching, so it is increasingly important for us to tighten control over prices in the urban and rural markets. Responsible departments in various localities should pay special attention and adopt strong measures to effectively control prices in accordance with the pertinent specific regulations so as to ensure basic stability in prices.

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ECONOMIC MANAGEMENT

BRIEFS

GANSU TOWNSHIP ENTERPRISE DEVELOPMENT--The Gansu Provincial CPC Committee and the provincial government have achieved notable results in developing township and town enterprises by upholding the principles of establishing lateral ties at home and introducing investment from abroad and opening to the outside world and invigorating the domestic economy. By the end of November 1985, there were 90,000 township and town enterprises, an increase of 70,000 as compared with the end of 1984. The output value of township and town enterprises throughout the province had reached 1.5 billion yuan, more than double that in 1984 was expected by the end of the year. Lintao County has become the first county in Gansu whose township and town enterprises exceeded 100 million yuan. Gansu's township and town enterprises have a rather weak foundation and are in need of funds, personnel, and technology. But the province has a number of large and medium backbone enterprises. In keeping with this characteristic, Gansu Province while strengthening urban and rural lateral ties above all has also forged coordination with other provinces and cities. By the end of 1984, many urban and rural economic integrated entities in various forms around backbone enterprises producing hot-selling products appeared throughout the province, they were capable of increasing the output value by another 530 million yuan. They had also signed separately agreements for strengthening economic and technological cooperation with Jiangsu and Zhejiang and agreed on 115 coordination projects. Since it began to sign agreements on projects of coordination in mining, textile,leather, and hide processing and food processing in 1984, the Hexi area has up to now completed and put into operation 89 projects. [Text] [Beijing NONGMIN RIBAO in Chinese 9 Jan 86 p 1] 12662/9312

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FINANCE AND BANKING

ESTABLISHMENT OF CHINA'S MONEY SUPPLY INDEX DISCUSSED

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 9, 25 Sep 85 pp 10-12

[Article by Li Hong [2621 1738] of the Financial Research Institute of the China People's Bank (Responsible Editor: Zhang Jianwen [1728 1696 2429]): "Ideas On the Establishment of China's Money Supply Concept"]

[Text] Money supply is an important concept in Western monetary and banking studies. From the perspective of macroeconomic monetary control, it is different from China's commonly used concept of money demand (necessity) in the following two ways: a) In Western countries, the concept of differentiated money-supply levels is an intermediate target used by central banks to carry out macroeconomic control and is of actual operating significance, while the concept of money demand is used more as a tool in making theoretical analyses of the relations between commodities and money. In China, the monetary indices used by the People's Bank to carry out macroeconomic control are total cash and total credit, and their practical role is very close to that of the concept of money supply. b) In all countries, the concept of money supply refers to all bank and other financial institution liability (the central bank's basic currency is also its liability). When studying the issue of money corresponding to economic demand, we sometimes refer to bank fund sources (cash and savings), and sometimes to bank fund use (total loans). The connotation of money corresponding to economic demand is not as clear as the concept of money supply, and refers only to the means of circulation and payment which have purchasing power.

As to the use of which conceptual (index) system is finally better, there are three choice criteria: 1) Which conceptual (index) system is more closely linked to economic activity (economic indices)? 2) Which conceptual (index) system is more readily receptive to effective central bank control? 3) Statistically, which system is more accurate and timely? The second of these three choice criteria is most important. Since the central bank is the institution which implements macroeconomic monetary control, if its control indices were ineffective, it would mean that overall monetary policy existed in name only. The detailing of money-supply content (breaking it down into M_1, M_2, etc.) in Western countries is related to their postwar strengthening of the central bank macroeconomic monetary-control function. The principal basis for the M_1, M_2, etc. division is the circulation ability of various monetary levels or

the amounts of their purchasing power. Obviously, monetary indices which are more highly related to economic index changes and have a stronger circulation ability are more important to central banks.

China has long used the two indices of cash and credit to carry out credit management. This choice was linked directly to the realization of our People's Bank macroeconomic control needs. It can be said that the use of this target management system is possible only in a socialist planned economy. This is due to the following major reasons: a) In the past, we strictly differentiated transfer payments from cash and savings accounts. Savings account transfer was a medium of circulating the means of production. Their circulation rate, velocity, and orientation were restricted by national economic planning, which was generally high-speed planned control. Cash was principally a medium of circulating the means of subsistence. The state could not practice mandatory administration of their circulation orientation, rate, and velocity. But means of subsistence supply and demand balance directly affected the stability of people's lives, and thus, quantitative control of cash supply was indeed of very great significance. But in the West, all monetary payments are unrestricted. They have only the difference between cash modification ability and payment cost, and have no differences in circulation field. The relative proportions of their total amount of money are constantly changing, which has a great effect on their total supply and demand balance. Thus, Western countries cannot choose to control only the one monetary level of cash and ignore other levels. In addition, they must also always pay attention to studying the mutual transformation of all monetary levels and changes in their relative proportions.

b) In Western countries, the commercial bank asset and liability structure is quite complex. As to their asset business, in addition to providing loans, all banks can also do such things as buy various negotiable securities on money-capital markets and lend short-term cash to other banks. As to their liabilities, they can accept deposits of all time limits and characters. Thus, central bank control of total credit certainly does not mean control of all banking system fund use. Moreover, control only of total credit makes it impossible to understand which monetary level these funds will be transformed into and may have an effect on total social supply and demand. For certain periods of time, some developed countries used the method of controlling credit. But, on one hand, they certainly did not stop counting and controlling their money supply and, on the other, their credit control absolutely did not have the same significance as did credit control in China. Under China's economic and financial management system, since the banking system (disregarding construction banks and intermediate banks) asset and liability structure is very simple, transfer relations between loans and savings are also quite clear, and the total money supply can be basically controlled through controlling total credit.

c) A final major reason is that China's bank loan management system has made it possible to control total cash and total credit. Until 1983, the basis of all of China's credit management system was target management, and there was only one account to balance for the People's Bank throughout China, i.e., the national savings and loan margin equalled the amount of cash in national circulation. From a technical perspective, as long as the central bank was able

to control the circulation of cash, it could control total savings and loans. Conversely, if its credit margin was not overfulfilled, the amount of cash in circulation could not increase. Thus, through formulating cash and credit plans, the People's Bank was able to effectively control the national money supply (as long as it practiced strict target management, the formulation of these two major plans was technically feasible). But this simple balance relationship (Δ cash + Δ savings = Δ loans) certainly did not exist in the central bank financial system. Under the conditions of having some savings plan funds, a savings plan fund increased central bank liabilities and correspondingly in creased commercial bank assets. Based on delivering enough savings plan funds, commercial banks could determine the actual scope of savings and loans on their own. The central bank could only calculate the derived maximum target which commercial bank currency created for central bank basic currency, and could not directly control the actual scope of their savings and loans. The central bank had to control the money supply according to the currency co-efficient in order to flexibly and effectively realize its monetary policy.

It can be seen from the above analysis that, under China's past economic and financial management system, the use of cash and credit plans to carry out macroeconomic monetary control had an objective and scientific basis. If we were now asked to abandon this target system and make a comprehensive change to a money-supply index system, it would obviously violate our national conditions. But we must also consider that, along with reform of the economic and financial system, some objective conditions are changing or have changed, and the People's Bank is no longer able to effectively control the scope of cash and credit completely according to past theories. The issues exposed in 1984 have clearly illustrated this point.

In 1984, the growth of China's cash issue and credit greatly exceeded all expectations. Undeniably, there were many nonfinancial elements in the appearance of this situation, but a major reason was that the macroeconomic control measures of the People's Bank were ineffective. The following major issues are reflected in the monetary control index.

1. Due to the transformation of a large unified banking system into a central banking system, China's banking system has also acquired a derived savings ability. In 1984, we adopted the fund-management method of combining target management and savings plan funds. Moreover, the principles which we began to practice prior to 1979 of margin control and more savings and loans have also been continued. In the past, the People's Bank only used cash to balance its asset-liability margin, but it has now added savings plan funds. Together, they form the People's Bank basic currency. Disregarding the People's Bank's public finance advance overdrafts and gold and silver funds, its major fund use is reloaning to specialized banks. Obviously, these reloan totals are not limited by the amount of new cash issue, but are balanced jointly by cash and savings plan funds. Without the derived savings mechanism, these reloans and new specialized bank savings produced by them should be quantitatively identical, and these new savings and new specialized bank loans produced by them should also be quantitatively identical. But in fact, since specialized banks have more savings and loan jurisdiction, except for cash which has flowed out, part

of their loans will always recirculate back into bank savings accounts, and specialized banks can reloan them in fixed proportions, thus reforming new savings (derived savings). Thus, even if national cash circulation plans are not overfulfilled, total national credit may still overfulfill planned targets. Before we scientifically calculated the quantitative relationship between national cash reserves and total savings for central bank basic currency and fund use, we had no idea of our theoretical total savings and loan value and even less of its actual derived conditions. Calculations show that in China's 1984 banking system, the average savings plan rate was approximately 0.26, the savings cash payment rate was approximately 0.27, the theoretical derived savings multiple was approximately 2 to 4, and use of 1 yuan of the People's Bank fund produced approximately 1.2 yuan of specialized bank savings. This means that the actual scope of national savings and loans has deviated from the course of direct People's Bank control.

2. Not only has the scope of savings and loans deviated from the course of direct People's Bank control, but cash control is also not as serviceable as it was in the past. In fact, effective cash control was wholly a result of our past artificial differentiation of the means of production and means of subsistence business fields. From the perspective of the nature of business per se, means of payment can be either cash or savings checks, the determining factors being payment cost and convenience. If control of various means of business payment were renounced, cash and savings payment proportions would undoubtedly change according to the above factors. This would be an internal money-supply structure change and would not affect total money supply. Generally, account transfer is a more convenient and safer form of account settlement than cash payment. Thus, the more developed the commodity economy and the more advanced the financial business, the higher the proportion of checking business. But in China, due to the administrative management of savings account settlement, cash payment ability has always been much stronger than that of savings. Thus, along with the 1979 economic system reforms, the scope of cash business was expanded, with not only means of subsistence business using cash payment, but with even some means of production business also using cash payment. The Central Committee could not, nor was it necessary for it to intervene administratively in this money-supply structure change which was caused by economic factors. If we obstinately demand a reduction in the amount of cash, but do not reduce the total money supply, the amount of savings currency will increase. This currency will also have a payment ability and, moreover, will put pressure on commodity supply and demand.

3. By only observing cash and credit targets, we cannot have a comprehensive understanding of money-supply conditions. Cash is currency which has circulated into the banking system, and its effect on commodity supply and demand can be seen and felt. Thus, we can quite clearly calculate the proportion of irrational cash circulation. But cash and all levels of savings currency come from bank loan transformation. Cash can be liquidated, and all levels of savings can also be liquidated. The most important of this is liquidation produced by yearend shock loans. These loans may be changed into savings or remittance transit funds, can only exist for a period of several days at the end or the beginning of year, and run their course in bank accounts. But their effect on the money supply may influence the whole next year's monetary policy. In

Western countries, this pure bank-account currency does not exist. Thus, the amount of increased currency issue does not correspond to GNP growth, but is expressed as price-rise pressure. But in China, in addition to these two outlets, part of increased currency issue can also only affect bank statistics, but cannot result in actual pressure on social purchasing power. Only comprehensive money-supply calculation will enable us to understand the true effect of bank loan expansion on the money supply.

Due to objective economic changes, controlling only the two targets of total cash and total credit may result in many flaws in China's central bank macroeconomic control, and may also cause certain misunderstandings of our true currency circulation conditions. Analyzing and studying the money supply index will help to achieve the following: 1) it will help us to clarify the derived ability and the derivation process of the People's Bank basic currency; 2) it will help us to clarify transformation relations and a rational money-supply structure for all monetary levels, and also help us to promote comprehensive financial system reform based on strengthening central bank macroeconomic control; 3) it will help the People's Bank and all specialized banks, respectively, to formulate scientific cash-issue and credit plans.

Along with thorough development of China's financial system reform and improvement of the People's Bank macroeconomic regulation status, we will have to henceforth establish a money-supply control system. At present, our principal tasks are: 1) to establish China's money-supply concept, i.e., to differentiate money-supply levels based on all cash and specialized bank liability circulation capacity; 2) to begin to analyze yearly the economic significance of all monetary levels; 3) to find connecting links between money-supply plans and cash and credit balance plans. Only based on this series of tasks can a macroeconomic control system be established for China's money supply.

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FINANCE AND BANKING

TAX ON IDLE FIXED ASSETS SUGGESTED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 10, 5 Oct 85 pp 36-37

[Article by Zhou Jianguo [6650 1696 0948]: "Preliminary Ideas on the Collection of an Idle Tax on Fixed Assets"]

[Text] According to research, approximately 10 percent of the fixed assets of industrial enterprises in China is idle and unutilized. The utilization rate for equipment in some enterprises is only 50 to 60 percent, while the output value and profit rates on fixed assets--two overall economic indicators--have not yet reached their highest historical level. However, at the same time that there is a great deal of idleness in the fixed assets of enterprises, some enterprises still blindly seek to increase production speeds, compete to invest, demand equipment, blindly import and make overlapping purchases of fixed assets. In addition, because there are no proofs of feasibility, fixed assets purchased or constructed are not suitable and cannot be used in production, so that the labor was wasted. The fixed assets can neither take part in the creation of value, nor can they serve the realization of commodity value, leading to a great waste of productive forces. This is detrimental not only to enterprise economic effectiveness and returns and the state's financial revenue, but also to the rational utilization of construction funds, which leads to excessive growth in the scope of the investment rate in fixed assets and a manmade worsening of the short supply situation for construction materials. Serious attention must be paid to this.

One of the more important complex reasons for this is that the enterprises are still eating from the state's big pot in terms of the management of capital, and still utilize the state's capital for fixed assets without charge. Most of the capital for fixed assets of state-run enterprises at present comes from state financial outlays; very few fixed assets are constructed or purchased by enterprises with their own capital. After the changeover from financial allocation from the state to enterprises to borrowing money for production, due to the fact that according to regulations, the returns of both principal and interest on loans for technical handling purposes or capital construction should come from profits on new investments. Some of the capital needed for fixed assets comes from profit yielding, which is in reality a form of investment in the enterprise by the state. Practice has shown that the system of free granting of capital for fixed assets used

in China has more shortcomings than advantages. Therefore since early 1980, the state has made provisional regulations for sharing economic responsibility by using state capital and paying a fee for using it. This regulation has encouraged enterprises to save on capital and to fully utilize its fixed assets. After the implementation of substituting taxes for profits, the state eliminated the regulation concerning fees on capital in order to protect some of the profit retained by the enterprises. There is little relation between the amount of funds occupied and economic returns gained after substituting taxes for profits. Enterprises still utilize state capital for fixed assets without charge. This shows that further work must be done to improve the state's tax system.

The value of enterprise idle fixed assets constantly falls due to the visible losses of natural attrition and invisible losses. The responsibility for this loss of capital which stems from poor enterprise management should reasonably be expected to be taken by the enterprise, but this is not completely possible due to the management system of fixed-asset capital.

Some comrades believe that the current regulation stipulating that no depreciation should be recorded for unutilized fixed assets of enterprises in reality negates the natural loss of fixed capital and invisible losses which exist in fact. This depreciation system is detrimental to the compensation of loss in the value of fixed assets, and does not encourage enterprises to fully and effectively utilize the use value of fixed assets. This is a form of disguised encouragement to enterprises to maintain idle fixed assets. Therefore these comrades suggest the recording of depreciation for unutilized fixed assets, and its entry into product costs so that there can be adequate compensation for the loss in value of fixed assets. If product costs affect enterprise profits, a reduction in the amount or profit retained by the enterprises will force them to take responsibility for losses incurred due to their economic mismanagement. I do not totally agree with this point of view, and think it warrants further discussion.

First, regarding the scope of compensation of product costs, because product cost is the objectification of production expenses, according to the theory of cost compensation, and recording entry into product costs should be utilized when costs are incurred in production. Otherwise, this should naturally not occur. No depreciation cost should be recorded due to the loss of value in fixed assets that remain idle, because these losses are not directly related to product production. Therefore it cannot be entered under or receive compensation from product cost. This is something that is decided by the economic nature of cost compensation.

Second, as regards the real situation, the overall economic reform has caused great changes to occur in the relationship of distribution between the state and the enterprises. This relationship was fixed on the foundation of the state's tax laws after substituting tax for profits. The profits of state-run enterprises are, according to state tax laws, first concentrated into the hands of the state's financial agencies via tax methods, then the entire after-tax profit is returned to the enterprise which takes

responsibility for gains and losses. This is very different from the past system in which the state took all the enterprise's profits and then allocated operating funds back to it and was also responsible for all losses and gains. In order to expand the rights of the enterprise to utilize capital, the state has already reformed the old depreciation fund's management system, and has decided that 70 percent of the enterprise's depreciation funds are to be retained by the enterprises, while 30 percent are to be turned over to the state. In such a situation, if the enterprise's losses were the results of poor management of idle fixed assets, and yet, through the depreciation method, the losses were added into production costs, this will then reduce the enterprise's profits. According to the principle of the distribution of profit in which the state receives the most, followed by the enterprises and then the individual, most of the responsibility for this type of loss in profit is taken on by the state, which reduces the state's revenue and the amount of construction funds the state can allocate.

Although the enterprise takes responsiblity for a small portion of the reduced profits, it retains most of the depreciation funds, which is still economical. Therefore under the current conditions, the method of averaging the value of depreciation still cannot have the effect of encouraging the enterprise to save on capital or to increase the utilization of fixed assets; nor can it effectively put an end to blind investment in construction by the enterprise. It cannot have any sort of practical regulatory or supervisory effect.

To resolve this problem, we should consider collecting a tax on the idle fixed assets of enterprises. This is not only feasible, but necessary.

First, because the enterprise, without charges, utilizes capital of the state for its fixed assets, it is reasonable to expect the enterprise to fully utilize that capital to create and provide an appropriate amount of profit for the state. If the enterprise's subjective efforts are insufficient and it has not carried out its responsibilities, the collection of a tax on its idle fixed assets is a form of fine for the enterprise's failure to carry out its economic commitments.

Second, the existence of idle fixed assets does not really alter the loss in the value of fixed assets. According to the regulation in which depreciation is not calcualted for unutilized fixed assets, there will not be adequate compensation for this loss in value, which is detrimental to the renewal of fixed assets, so that this portion of pre-paid capital by the state was lost. Therefore, if these losses are given to the state via a tax on idle fixed assets where they become part of state construction investment funds, it is both beneficial to the state and can ensure the recompense of value and renewal of fixed assets.

Finally, the payment of this type of tax by the enterprise is a kind of "interest" paid on poorly utilized capital. This is necessary because the principle of the tax on idle fixed assets is: the amount of tax is directly

related to the amount of idle fixed assets; if there is no idleness, no tax will be collected. If the enterprises work hard to improve management methods and to duly utilize fixed assets, they can completely avoid paying this tax. This external pressure on the enterprises forces them to improve their management of fixed assets and to energetically deal with idle fixed assets to raise their utilization rate. This will increase economic returns and help control the blind purchase and construction of fixed assets.

If the above understanding is correct, then we can envision the following: First a detailed analysis of the enterprise's idle fixed assets should be made and a tax levied on all idle fixed assets that are due to poor enterprise management. Other idleness resulting from changeovers in production, product improvement, high energy consumption goods that shall be phased out according to state regulation, and idle fixed assets waiting for approval for scrapping should not be subject to tax. As for tax rates, in light of the fact that utilization losses of the visible losses have not yet occurred in this part of the fixed assets, the tax rate should be lower than the depreciation rate for the same category of fixed assets. The fixing of tax rates based on loans for capital construction or loans for technical handling purposes can also be considered. The amount of time fixed assets have been idle should also be considered in figuring tax rates, to form a ladder of increasing taxes in which more is collected according to the length of time of idleness. This tax should be remitted by the enterprise from its profits after other taxes in order not to reduce the revenue the state receives from income taxes. The enterprise should remit the entire amount of this tax to the state, where it will become part of the state's construction funds to be used in the technological reform of present enterprises.

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FINANCE AND BANKING

IMPROVED BANK CONTROL OVER RURAL FINANCIAL ORGANS URGED

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 22, 16 Nov 85 pp 3-4

[Article by special commentator Ma Yuxiang [7456 1342 5046]: "Banks Must Strengthen Control Over Rural Financial Organizations"]

[Text] According to statistics from the relevant departments, 450 (46 percent) of Jilin Province's 966 township-run rural business management stations are engaging in financial activities such as the accumulation and lending out of funds as of this June. The capital comes primarily from the production funds of production teams on deposit in special savings accounts in banks or credit cooperatives, their accumulation funds, public welfare funds, reserve grain funds and village and commune contract guarantee funds submitted to the state. Methods used consist primarily of administrative measures in which savings are handed over for deposit by the production team and approved for credit by the village head. Disparities in revenue from savings, credit and interest revert to the township business management station. Following investigation, we discovered that the stations are faced primarily with the following four problems:

1. Assaults on credit planning: The main funding source for banks and credit cooperatives are savings accounts. The amount of loans that can be issued depends on the volume of savings absorbed. Early this year, while arranging the disposition of funds to support agriculture, the credit cooperatives incorporated the collective savings of the production teams into credit plans and issued loans based on production needs. If these savings are withdrawn and invested in production and circulation, it will certainly disrupt the credit plan and have a negative effect on the balance of revenue and expenditure. For example, the credit cooperative of Danan Township of the Changchun City municipal region was faced with the danger of having to close its doors due to the withdrawal from the cooperative of 240,000 yuan by the business management station this March. The cooperative could only apply for support funds and for a greater share of capital funds from the bank to guarantee its continued functioning. There was great concern in the credit cooperative when the area was struck by violent storms in July and needed funding to engage in production to provide relief, but there was nothing they could do.

2. Detrimental effects on the repayment of debts: The province has experienced bumper harvest for several years in a row and the production teams' ability to repay loans has improved. However in order not to effect reproduction, the

banks and credit cooperatives have allowed the production teams to pay back their years of accumulated debts in longer installments. The concentration of the teams' accumulation funds by the business management stations for unified use will inevitably have a detrimental effect on the repayment of debts. For example, despite excellent economic conditions, 1.2 million yuan in debts have not been repaid to this day in Nanweizi Township of the Gongzhuling region. Of this sum 240,000 yuan have not yet been identified. The centralized management and utilization of the production teams' funds by the township's business management station has been detrimental to the collection of back debts.

3. Negative effect on the management of credit funds: The banks and credit cooperatives have gained much useful experience regarding credit management. However due to the meddling into lending of the business management stations, in particular the practice of making numerous loans to single borrowers, have been detrimental to the management of credit funds and can easily lead to a waste of capital. High funding input does not necessarily mean good economic returns, and if input is greater than output, and funding is not compensated for, more stagnation in credit created. Therefore, these practices are detrimental to the improvement of management and the promotion of economical utilization of funds.

4. Detrimental effects on control over the scope of credit: The end of year norms for bank credit fund plans are part of the directive planning system of management. In order to prevent going beyond the yearend credit norms of the bank's higher levels, branches at all levels must strictly control the scope of credit. However, due to the fact that the township business management stations have drawn off savings of the production teams from the credit cooperatives when engaging in credit activities, quite a few cooperatives have no way of maintaining a normal turnover rate, and the banks must grant them supportive loans, which reached the sum of 112.68 million yuan by the end of July in our province alone, for a 30-percent increase over the same period last year. Although the main office demanded that the provincial branch reduce the 3.73 million yuan of support credit to the credit cooperatives by 1 million yuan, by the end of July not only had this not been done, but the sum had been increased to 108.95 million yuan, which presented us with a very serious problem. Of course there were other reasons for exceeding the plan, however, the harmful effects of the credit activities of the township and town business management stations on the control over the scope of credit were quite obvious.

It is my belief that in order to correctly resolve the problem relating to credit activities of the township business management stations, the state banks must improve management according to the relevant regulations to maintain normal operations in rural financial markets. In Article 3 of the "Temporary Ordinance Concerning Management Over the Establishment and Withdrawal of Financial Organizations" of last October's Document No 196 of the People's Bank of China (84), it states: "The People's Bank of China is the major agency of control over China's financial organizations. Any department or unit that wishes to initiate financial activities and establish or withdraw branch organizations must first apply for permission from the People's Bank or other empowered agencies. If approval is not granted, the People's Bank of China or other empowered units have the right to take the necessary economic and administrative measures to

order cessation of financial activities." In his address at the conclusion of the National Symposium of Bank Branch Directors held this June 28, Comrade Han Lei [7281 7191], director of the Agricultural Bank of China's main office, pointed out: "There are some peasant households that have now opened their own banks, while in some places the savings of the production teams are concentrated in order to form financial service cooperatives that accept money on deposit and engage in credit activities. It ought to be made clear that any organization that engages in savings and credit activities is a financial enterprise, no matter what it calls itself, and must come under financial supervision and seek the approval of the People's Bank (or the Agricultural Bank) before it can begin operations. It must be in possession of the minimum amount of funds required by law, submit preparations funds according to regulations for withdrawal and deposit, have a healthy accounting system, send monthly reports, business and financial, to the People's Bank (or the Agricultural Bank) and submit to the inspection, supervision, and guidance of the banks. It must implement the credit policy of the state, and cannot indulge in the 'three neglects.'" According to the "Temporary Ordinance Regarding the Management of Financial Organizations" of the People's Bank of China, all financial organizations must meet the following requirements: There must be an economic need for the organization, which must also be able to conduct a fairly large volume of business; it must be in possession of the minimum amount of capital required by the People's Bank of China; there must be management personnel who have an adequate understanding of financial services; the organization must operate in accordance with principles of business accounting; the organizations must have a complete charter.

Based on the above, it is my belief that the banks should submit proposals to prefectural party and governmental departments, act as their consultants and take energetic measures to improve management over township and town financial organizations. First, the regulations and main idea of the state regarding the establishment of financial organizations must be widely propagated to enable the relevant departments and units to understand and follow the related regulations. Second, an overall inspection of township and town financial organizations must be undertaken. Licenses can be issued to all those that meet the necessary requirements; those that fail to attempt to meet requirements should be closed down, and the banks must take the necessary economic and administrative measures to fix legal responsibility. Third, supervision and management over the review and approval process of township and town financial organizations must be improved so that they obey the state's financial laws codes, policies and systems, submit preparatory funds for withdrawal and deposit according to regulations, send in monthly business and financial reports, and submit to the inspection, supervision, and guidance of the banks.

The banks and credit cooperatives must give full play to their role in guiding, harmonizing, and directing rural funds and take various measures to increase the number of savings networks, improve service attitudes, initiate proxy activities, issue bonds, expand the use of shareholding in credit cooperatives, make a great effort to organize rural capital, and satisfy as much as possible the needs involved in developing rural funding. We must guide the accumulation of rural capital and private credit onto the right track, attack illegal financial activities and guarantee the stable development of the rural financial market.

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FINANCE AND BANKING

RAISING INTEREST RATES TO BALANCE CREDIT URGED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF SHANXI FINANCE AND ECONOMICS COLLEGE] in Chinese No 6, Dec 85 pp 23-24

[Article by Qu Zhaozhong [2575 2507 0112]: "Raising Interest Rates Is an Effective Measure in Balancing Credit"]

[Text] Due to the overly rapid growth of consumer funds and the excessively large scope of investment in capital construction, bank credit funds have gone out of control, and the People's Bank has issued too much currency, reaching 26 billion yuan in 1984, exceeding the planned amount by 36.8 percent. Because of this serious imbalance in bank credit, the state took a series of measures to control the scope of investment and the growth of consumer funds, measures which have already achieved definite results. Statistics for the first half of 1985 demonstrate: state-run institutions and enterprises have gained some control over loans compared to the beginning of the year, as have investments within the plan in other areas. However, these measures have not been very effective due to the vast number of profit-seeking units belonging to collectives, independent households, and state-run institutions and enterprises, and the scope of credit has continued to inflate compared to earlier this year. Capital construction investment increased more than 40 percent over the same period last year of which extra-budgetary items showed an increase of 100 percent. Cash expenditures for wages grew approximately 30 percent over last year at the same time, of which bonuses grew by more than 70 percent. Overall, investment within the plan has been controlled, but locally raised investment outside the plan, whose funding mostly relies on credit, continues to grow.

Given the short supply of state capital, the only way to effectively control inflation is by recalling the excessive amount of currency that exceeds the commodity capacity of the market. There are two ways to go about this: one is to absorb currency via a sufficient amount of high-quality commodities, causing a shift of position between the two (commodities and currency), which would be mutually beneficial to both consumer and state; another is to use savings to concentrate the idle capital consumers and society in the banks. The state would utilize it in construction and the consumers would also benefit. Of course, the first of the two methods is better, but given the present situation, it would be impossible to manufacture within a short period of time a large amount of high-quality commodities that could satisfy

all the needs of consumers (to import them all would not do, as it would be detrimental to domestic manufacturing enterprises). Therefore, we can only recall some currency from the market and use methods relating to savings and credit to withdraw the rest. This means instituting an interest policy that would be able to attract the idle capital in society into the banks and limiting the blind taking of loans by enterprises. This policy will require a large-scale increase in interest rates.

1. It will not entail an ordinary increase in interest rates, but a large-scale, double-digit increase to an annual rate of increase of more than 10 percent. Of course, this refers to the general level, as distinctions have to be made among the various industries, so that interest rates for projects involving products in good supply and less important projects will be particularly high.

2. High interest rates will include credit and savings account interest. However, credit interest generally must be higher than savings account interest. The purpose of raising credit interest is to test potential borrowers among enterprises and individuals so that they will hesitate and give the matter of seeking credit plenty of thought before making a decision. All potential borrowers are also to be treated equally.

3. High interest rates will involve definite time limits. There cannot be any time restrictions, nor can terms be too short. The relevant departments and banks must seriously calculate currency needs for the next 2 or 3 years, examine the amount of currency issued, and then designate approximate time limits based on the principle of the balance of credit and of currency supply and demand.

4. A minimum term for high-interest savings accounts must be determined, for example, at least 3 to 5 years. All urban and rural residents or economic units with savings accounts must strictly follow the regulations and not withdraw funds before the designated time. If withdrawals are made due to special circumstances, all remaining funds are to earn ordinary interest.

5. The state can consider giving discounts to commercial departments for use in loans for seasonal reserves and for the purchase of agricultural byproducts; or ordinary interest rates can be used. Separate regulations could be drawn up for that. The state should grant discounts for energy, posts, transportation and communications, basic facilities (culture, education, environmental protection, etc.), and all key state projects and products in short supply.

6. Loans must be repaid upon reaching term to be lent out again, and principal must be reimbursed along with interest. If the principal cannot be repaid within the time limit, an extension should be granted with a doubling of interest. Those unable to repay should use their property as security. When a borrower applies for credit after paying off another loan, proposed usage of credit and ability to pay must be reexamined.

7. Once inflation abates, comodity prices become stable and credit is balanced, the state can lower interest rates at any time, beginning with savings accounts interest, gradually reducing rates to avoid confusion.

Specific details and measures can be discussed and gradually improved by the relevant departments.

The advantages of high interest rates lie in:

1. Excess idle capital and currency can be concentrated and used by the state in construction to avoid further inflation which is in the interests of the state and individual.

2. The money market can be tightened and arbitrary, unitary measures can be avoided to put objective pressure on borrowing units and limit their blind expansion of investment and borrowing.

3. The state cannot issue or can issue a small amount of currency within a brief period of time to maintain a stable amount of currency on the market, thereby providing conditions to further adjust economic relations and concentrate on wage and price reform. In addition, the corresponding decrease in inflation can effectively curb the increase in commodity prices.

Using high interest rates is not a perfect method and involves the following inadequacies:

1. New difficulties will surely be created for some enterprises that manufacture products in good supply, forcing some to stop production and close down. Therefore: a) the state must draw up an appropriate bankruptcy law; b) mortgages and security must be used in extending credit. Upon failure to repay, property put up as security should be mortgaged (or confiscated for use by the bank or by units that assist in repayment). This will inevitably lead to problems in work assignments for some people.

2. It may lead to high-interest loan activities on the black market by some collectives, self-employed households, and even individuals utilizing their own capital. The state, banks, and taxation, industrial, and commercial departments must coordinate their efforts to manage and rigorously eliminate this phenomenon.

In summation, the use of high interest rates has both advantages and disadvantages. However, at present the rewards are greater than the problems as far as we are concerned. Furthermore, our use of a policy of high interest rates has a definite basis to it. First, ours is a planned commodity economy, and the law of value and the law of supply and demand function in any commodity economy. Second, after an overview of the issuing of paper money throughout the world whether in capitalist or socialist countries, one can see that inflation exists everywhere to differing degrees. In other words, inflation is the product of the circulation of paper currency, the total volume of which cannot be precisely planned. When a bit too much is issued and the amount of currency in circulation exceeds the needs of social commodities,

rises in commodity prices will inevitably occur, which in turn, cause inflation to intensify. This increasingly intensified alternation between these two phenomena is commonplace in capitalist countries. Due to the ineffective use of macroeconomic controls in capitalist countries, a long time is required before economic measures can take effect. In China, this upward-bound spiral of increases in currency circulation and commodity prices cannot be allowed to happen. In addition to taking the necessary administrative measures, we must use economic methods to control and guide. Therefore, the use of high interest rates during a time of inflation and a tight money market can be regarded as an effective measure. Third, although in the past we never implemented this type of interest rate, it is completely acceptable, now that we are engaging in economic reform, particularly reform of the price system, to utilize this economic lever as part of the financial reform to gradually balance the credit situation. This would be in total accord with the spirit of "exercising good control over larger areas while loosing restrictions in smaller areas."

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FINANCE AND BANKING

ROLE OF AGRICULTURAL BANK IN FOREIGN TRADE DISCUSSED

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 22, 16 Nov 85 pp 5-6

[Article by Ren Lichang [0117 0500 1603]: "A Discussion on Shifting the Focus of Foreign Affairs Work in the Agricultural Bank"]

[Text] The Agricultural Bank of China possesses a good foundation for intercourse and contact with foreign banks and financial organizations. Its influence is increasing daily in international, financial and economic circles. Foreign affairs work of the Agricultural Bank of China has become more and more frequent along with the implementation of China's open door policy and rural economic reform, both of which have caused quite a stir internationally. The various organs at all levels, departments, and the leadership of the bank are now faced with the new issue of how to further develop the situation.

How shall we shift the focus of the bank's foreign affairs work toward the development of international economic cooperation? How shall we enable the foreign activities of the entire bank to root itself in the serious implementation of China's open door policy and to make an effort to serve the construction of the four modernizations? I believe the shift in the focus of work must be undertaken via business contacts with foreign banks and financial organizations in order to greatly promote economic cooperation between China and foreign countries, in particular in the areas of agricultural economic and technical cooperation, rural financial services, and in funding cooperative efforts.

This year the bank's main branch and some of the provincial branches have taken positive exploratory steps in the development of technical and economic contacts. Recently the Central Cooperative Bank of Austria sent three delegations to China for several discussions with the relevant departments of the Agricultural Bank on economic cooperation and professional banking. With the participation of the main and some provincial branches, the delegation conducted negotiations with and investigations of the Agricultural Bank's customers on economic cooperation projects, achieving good results. In April and May the Austrian bank sent a delegation consisting of bankers, agronomists, and agricultural engineers on an inspection tour of Beijing, Dalian, Xi'an, Chengdu, Wuhan, and other places lasting 4 weeks, and made inquiries into the possibility of cooperation in the processing of fish and seafood, fruit, fodder, vegetables, and other agricultural byproducts. Fourteen economic

cooperation agreements were signed (including 22 projects), providing both parties with an even better foundation for further contact. For example, Xinjin County in Dalian entered on to a joint-capital venture to develop a 10,000-mu prawn farm and constructed a cold storage facility, an indoor area for the raising of baby prawns and a fodder-processing plant. The project entailed an investment of 36 million RMB, with each party providing half. As most of the products are to be sold abroad, the project will earn much foreign exchange. In Xi'an, compensatory trade and the provision of a preferential loan by Austria were used to create the "Xi'an Zhonghua Artificially Cultivated Commercial Yangtao Orchard," with a total area of 10,000 mu, including a seedling nursery of 100 mu. China provided land for the construction of the orchard, excellent seeds, cultivation techniques, orchard workers, a protective forest belt, and so on, while Austria provided capital for construction, irrigation and drainage equipment, and advanced facilities and equipment for storage use, laboratory tests, etc. The total amount invested came to more than 27 million RMB, and the project will be completed in 3 years. During periods of peak production, the orchard will have an annual output of 10,000 tons of fruit. Other forms of cooperation have been adopted to dovetail with this project to establish the "Xi'an Zhonghua Yangtao Beverage Factory" which will produce a yangtao drink, canned, dried, and powdered yangtao, all of which are highly nutritious, healthy anticancer agents. These cooperative projects will be implemented after final business negotiations. In addition, many foreign banks have come to us seeking to cooperate via the Agricultural Bank of China and further develop channels of economic coordination. They are paying close attention to the important role played by the Agricultural Bank in China's rural economic reform and are eager to work with the bank.

How shall we develop business and economic cooperation with foreign concerns? We still lack experience in this regard. Only by engaging in foreign and related domestic contacts can we discover problems that will require attention and study in order to be resolved.

First, we must understand the position and role of the Agricultural Bank within the open door policy.

The open door policy is a basic national policy of China. How to implement this policy is a problem requiring the consideration of every department, and the Agricultural Bank is no exception. It must be understood that there is a very close connection between the open door policy and the bank. The policy cannot exist without banks and the Agricultural Bank in particular. Along with the rural reform, China's agriculture and rural commodity economy will develop increasingly in the direction of foreign markets. China's agriculture will become export oriented and will no longer be closed off to the outside. The open coastal development zones will even further expand their export-oriented agriculture. In this, the Agricultural Bank must give free rein to its own special role, functioning as a banking link and bridge in the development of foreign economic cooperation based on its role in the domestic rural economy and its credibility and position in international financial circles. To do this we must first resolve problems relating to our understanding of the situation and expand our horizons and vision. The

Agricultural Bank must base itself on a foundation of domestic agricultural finance and gradually develop outward, ceaselessly expanding international contacts and professional and economic cooperation.

Second, the various departments of the bank must coordinate their work in foreign affairs.

The foreign work of the Agricultural Bank, like its domestic work, is a task held in common by departments of all functions, and is certainly not the task of just one department. To a great degree, domestic needs must be considered in the development of foreign work. There must be close coordination among all the departments, for example, after gaining approval to raise foreign credit funds, the planning departments must first consider from the overall point of view the scope of capital to be borrowed; credit departments must study proposed projects that are to utilize foreign capital; departments that deal with foreign concerns must study the situation on the international financial market and the level of capital and credit of foreign banks; accounting departments must study economic cost accounting, etc. In short, problems relating to the necessity and feasibility of the utilization of foreign credit must be analyzed together. Another example would be aiding domestic enterprises in importing advanced technology and equipment, undertaking joint ventures with foreign businessmen, compensation trade and earning foreign exchange via export, none of which are projects that can be independently completed by one department, not to mention merely one bank. Now that we have just initiated economic cooperation with foreign countries, it is vital to have a definite grasp of the overall task and the division of labor of departments with differing functions in this regard. Otherwise, foreign and domestic work will become divorced from each other, thus making matters difficult to handle.

Third, cadres must receive training in foreign work.

The foreign work of the Agricultural Bank is a new business. Our cadres generally lack professional knowledge in this regard. Initiating and strengthening training in foreign business work is necessary. The idea is not to train a minority of people, but to conduct widespread education of all the cadres in the relevant departments. Of course, we can be flexible as to methods used. From now on, cadres of the Agricultural Bank, including even those working in mountainous regions, must have a certain understanding of foreign business work and international agricultural financing, and have to learn how to deal with foreigners.

Foreign business work encompasses knowledge in various fields, such as foreign economics and trade and foreign exchange, all of which must be understood to a certain extent. Noteworthy problems regarding negotiations, inspection tours and signing contracts also need to be understood so that we can gradually attain our goals in foreign economic cooperation work.

Fourth, there must be a plan for developing foreign business work.

At present, our foreign business work remains at the stage of general contact. In the long run, we must proceed from the reality of China's rural financing

and study and designate a development plan for foreign business work and create economic cooperation projects with foreign concerns according to schedule. This type of planning work must be engaged in by all the provincial and development zone branches as well as by the bank's main office. Foreign business work must be gradually incorporated into the daily work of the bank at all levels, all of which must seek to create breakthroughs in a short period of time and gradually accumulate experience and expand foreign business, fully making use of the role of the Agricultural Bank in foreign business work.

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CONSTRUCTION BANK ISSUES TRIAL RULES ON CREDIT CONTROL

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 85 pp 23-25

[Article: "Construction Bank's Trial Regulations on Credit Control"]

[Text] Item 1: Guiding Thought on Restructuring the Credit Control System

Based on the State Council's nationally published (1985) Document 51 and "Supplement of the People's Bank of China in regard to the Construction Bank's implementation of 'Trial Regulations on Credit Control,'" this regulation has been drawn up in order to strengthen credit control by all branches in accordance with the spirit of required tightening of control macroeconomically and required flexibility microeconomically, to implement the economic responsibility system of branches at all levels, to fully bring the initiative of these into control and to use credit funds, to try hard to attract savings, to assure money for planned projects, to accelerate the technological advancement of existing enterprises and the development of capital and building construction, and to improve the useful results of credit funds.

Item 2: Credit Control of System

The main office of the Construction Bank (hereafter called main office) has implemented regulations of "unified planning, graded control, margin control, implementation of loans and savings, turning over the difference in savings" for all provincial, municipal, autonomous regional branches (hereafter called branches) on the plan's list.

Unified Planning: Each branch's complete their credit income and expenses (not including financial allocations, loan portions) must be brought into line with the credit plan of the main office throughout the country, with its approved plan to actively attract savings, reasonably grant loans, and assure the success of the plan.

Graded Control: Under the guidance of the unified plan, clarify the limits and responsibility of credit control of branches at all levels. Based on the actual situation in the locality, each branch will implement graded control to completely arouse the enthusiasm for and the initiation of credit control.

Control of Margin: The main office, based on the state ratified credit-control budget and credit-difference plan, the sources of funds, and the situation for using funds in each branch, notifies each branch of its excess savings or excess loan amount. Within the scope of the plan for controlling credit differences, where savings attracted and other funds are large, on the basis of national banking policies and principles, they can make loans and use. Where less savings are attracted, the value of loans will be correspondingly lower.

Implement Savings and Loans: Branches with excess loans will ask for loans from the main office or from branches of the People's Bank on the basis of the loan shortage plan, level by level, to allocate funds to prefectural and municipal, administrative branches and management offices (hereafter called level offices.) Banks with household savings accounts opened at the People's Bank will turn over the extra savings.

Branches which in the plan have extra savings, based on the main office's ratified excess-saving plan, will turn over to the main office each month extra savings which will in turn be given to those branches which need to borrow extra funds.

Items 3: Planned Control of Credit

A. The Scope of Planned Control of Credit: Sources of credit funds include: savings deposits of all types, the same year's closing profits, and their own funds. Uses of funds include loans of all types, business working funds, cash reserves, the same year's closing losses, and others. The savings margin occurs where the amount of savings is greater than the uses of funds. The borrowing margin occurs where the use of funds is greater than the source of funds.

B. Drawing up and Transmitting the Plan: Each branch shall report to the main office in light of the annual credit plan expressed and drawn up by the main office's regulations, and also send a copy to the local branch of the People's Bank. After the approval of the plan by the state Construction Bank, the main office will approve and make known, and send a copy to the main office of the People's Bank. Excess savings and excess loans are both guiding plans. The savings-margin plan must be fulfilled; the excess-loan plan cannot be over fulfilled. The excess-savings plan issued by the main office is the amount of credit that the branch should deposit with the main office. The excess-loan plan is the amount of loans to be issued from the main office or from branches of the People's Bank.

C. Control of Fixed-Asset Loans: Capital-Construction loans must be strictly controlled in accordance with the state plan. Loans without fixed terms cannot be increased if the remaining sum cannot be repaid. Most loans can be turned over and used again.

D. Plans Directly Arranged by the Main Office: These include loans for equipment and reserves for capital construction of the Central Committee, loans for specialized projects for converting from gas to coal, loans entrusted to

departments of the Central Committee, temporary capital construction loans of the Central Committee, etc. These are carried out according to the loan plan issued by the main office and cannot be fulfilled excessively. The main office issues the plan to the branches which transmit it to the basic level branches to handle.

E. Revision of the Plan: After approval of the annual plan, the capital-construction loans to the main office and other loan projects, where the actual issued loan plan is greater or less than the original plan, as well as increased or rescinded projects, voluntary and uniformly revised saving plans can be correspondingly increased or reduced as can the amount of loans borrowed. Due to changes in objective conditions, when the annual plan for revenues and expenses needs adjustment, the branch should report in writing to the main office any details and causes. After examination by and approval of the main office, the plan may be systematically adjusted.

Item 4: Control of Funds

Different regulations are adopted toward different channels of funds based on characteristics of business funds of the Construction Bank.

A. Funds practice the principle of first allocate, then use. Each branch must send a quarterly report to the financial department at the same level on financial allocations undertaken month by month. Loans must be promptly requested from the financial department at the same level, level by level, based on the stipulations regarding fund allocations. Funds should be accounted for separately and should not crowd each other out. In order to assure the rational supply of funds, each branch must pay attention to controlling allocations, and loan disbursements, and to promptly reporting the situation to the financial department.

B. Loans for special projects entrusted to the People's Bank. The level of office entrusted will supply funds from the People's Bank at that level. First allocate, then loan. Specific regulations will be handled in accordance with the stipulations of the People's Bank.

C. Loans for equipment reserves of capital construction of the Central Committee where funds are supplied directly by the main office. Loans for specific projects of replacing oil with coal, loans entrusted to the department of the Central Committee, provisional loans of capital construction of central authorities and others. The basic-level office, based on the loan-use schedule for loan projects, in light of regulations on allocation of funds, will be applied from below, allocated from above.

D. Besides the three types of funds listed above, all revenues and expenditures of the remainder of credit must be brought into line with the comprehensive annual balance plan and control must be strengthened in a planned manner to attract savings and rationally plan loan disbursement. The main office will issue control quotas of credit revenue and expenditure to all the branches, quarter by quarter. Based on this, and in light of the situation in the current quarter, each branch shall draw up a quarterly implementation plan for credit revenue and expenditure month by month for each quarter.

Each branch should draw up a plan for implementation of credit revenue and expenditure based on this and the situation in each quarter which should be reported to the main office for comprehensive balancing and approval of the amount of savings or loans for each quarter, month by month. Where there is a savings surplus, the office should turn over these savings to the main office promptly in order for it to transfer these funds to the offices where there is a loan surplus. The branches which have a loan surplus should borrow from the main office, in light of approved loan-surplus plans, to allocate and give to the level branches for their use.

After the Construction Banks throughout the country become loan-surplus banks based on the loan plan issued by the main office, the approved amount of loans issued by the main office of the People's Bank may handle loans within the plan for branches of the People's Bank according to actual need and may allocate these loans to the base-level branches to use.

Credit and funds must be promptly allocated, taken from many to make up for the few, be flexibly managed and mutually adjusted.

1. Branches at all levels in their day-to-day work should carefully calculate the difference between total sources and uses of funds and flexibly manage funds in order to assure their supply. Under the premise of ensuring the savings withdrawal and loan needs within the plan, the surplus savings should be turned over to the branches promptly. Each branch of the People's Bank where funds exceed the approved amount for the business working fund should unconditionally submit that excess to the control of the office at the next higher level.

2. During the process of carrying out the annual plan, such as when seasonal savings decline and loans appear to rise, causing a shortage of funds, each branch can, by means of a written quarterly implementation plan or special report, explain the situation and reasons. This report should be delivered to the main office of the People's Bank in order to apply for a seasonal temporary loan. The main office, after gathering and collecting and balancing, will submit a provisional loan plan to grant a loan or issue loan targets. The branch borrows funds from the branch of the People's Bank. This type of loan ought to be repaid on schedule within the year.

3. Each branch, that during the carrying out of the plan, encounters critical loan shortages, when there is not enough time to request funds to be transferred, may have the local People's Bank branch handle a temporary loan or have the branch using the funds, borrow funds from the specialized banks on the spot. Each branch that has a temporary surplus of credit, under the premise of not interfering with the unit's right to use funds and turn over savings, may also lend funds to other specialized banks.

Item 5: Control of Turning Over Savings

Financial savings which should be handed over to the People's Bank in response to the plan, should be turned over based on the scope of the provisions. Enterprise savings attracted by all branches, trust savings, and other savings,

must be turned over to the People's Bank at the same level, according to regulated proportions (in 1985, 30 percent). The detailed points and specific regulations will be handled in accordance with the Chinese People's Construction Bank's "Provision on Handling Accounts of Business Funds."

Item 6: Approval of Business Circulating Funds

In order to assure working funds for planned projects, withdrawal of savings by enterprises, funds allocated along the way, cash activities, and other needs, branches at all levels must keep the necessary business circulating funds in savings at the People's Bank. The main office will approve and give business circulating funds to the branches in accordance with the size of the business, the number of business organizations, traffic and communication conditions, etc. The branches will distribute these funds level by level. These types of working funds where each branch has drawn up an annual credit plan for revenue and expenditure, will arrange the use of funds based on the approved amount to check differences by correspondingly reducing savings in those branches with a savings surplus and increasing loan funds to those with a surplus of loans. However, at the year's end, the funds must be returned to the People's Bank and not be used to increase the size of the loan.

Item 7: Control of the Interest Rate of Bank Savings and Loans

In order to improve the results of the use of funds, there will be a different rate of interest for savings and loans.

1. There will be no computation of interest on funds turned over to the People's Bank.

2. The rate of interest on savings will be .36 percent monthly on ordinary savings turned over to the People's Bank and in savings accounts there.

3. The rate of interest on loans by the People's Bank, on approved circulating fund loans, will be .36 percent monthly; for planned loans, .39 percent monthly; for short-term loans, .42 percent.

4. For loan funds from other specialized banks, the interest may be agreed upon by each branch independently.

5. The internal Construction Bank interest rate, for funds turned over to the main office by branches with a surplus of savings, funds granted in loans by the main office in carrying out the plan, business funds of allocated money and surplus credit funds along with joint mutual funds, will calculate interest uniformly on the basis of .39 percent monthly. Interest on temporary loans will be .42 percent monthly.

Item 8: Control of Credit Funds in SEZ's and Areas Inhabited by Minority Nationalities

A. The four SEZ's, Shenzhen, Zhuhai, Shantou, and Xiamen, and Hainan Island, will keep all existing credit funds and attached savings for branches in the

special zones to use. The credit control regulation's interest-rate policy of these areas will be carried out in accordance with the total regulations of the provisions of the local People's Bank.

Management of funds in the branches in the SEZ's will remain the responsibility of the provincial branches.

B. The main office, in approving the differences in the areas inhabited by minority nationalities and undeveloped areas, will make appropriate allowances.

Item 9: Examination and Analysis of Situation in Carrying out the Credit Plan

A. Each branch must analyze and examine the revenue and expediture plan, monthly, quarterly, and annually. The summary must include whether the plan for credit revenue and expediture was carried out well or poorly, the main characteristics and causes of the increase or decline of primary savings and loans, along with new conditions in local finance, what has appeal in the area of fixed-asset investment, new problems, trends in studying changes in banking credit, and suggestions and countermeasures. Besides periodic examination and analysis of the situation in carrying out the plan, specialized analysis of major problems on the basis of thorough investigation and study must also be done.

B. Branches at all levels must promptly send reports of the situation in carrying out the credit plan and statistical forms on credit revenue and expenditure to the higher level branches. At the same time, these must be sent to the local People's Bank. The form for the statistical report, the substance of its targets, and the date of sending will be provided by the main office and other branches.

C. The plan for credit revenue and expenditure of the branches of the cities in the plan, examination and analysis of the situation in carrying out the plan, statistical forms on credit revenue and expenditure, etc., may be reported to the main office and provincial branches at the same time. However, the relevant provincial branches, in reporting the above-mentioned plan to the main office should include the number of branches of cities in the plan, and list clearly the relevant number of city branches among them.

Item 10: Strengthen Leadership; Make Clear the Division of Labor; Act in Close Coordination

A. Branches at all levels must put into effect the system of office managerial responsibility. The manager responsible for credit work controls credit funds, with one pen approves plans, personally controls development of the local economy and activities and provisions of funds at his branch.

B. All branches at every level must establish personal responsibility by the manager. Every 10 days, fund-control meetings must be organized to plan accounting and other work, comprehensively reckon credit revenues and

expenditures, forecast local economic development and trends in credit funds, and balance the question of surplus or shortage of relevant credit.

C. Under the unified leadership of the manager, each specialized department will clearly divide work, act in close coordination, control and use credit funds well.

1. Business credit departments are responsible for organizing, developing credit, granting loans, control and recall, drawing up savings and loan plans. The department is responsible for evaluating, examining, and approving loan projects, for improving savings and loan information of management units, and for assembling and calculating the quantity of revenue and expenditures quarterly.

2. Accounting departments are in charge of business funds and credit funds, exchange of funds in the interval, assembly and calculation and compilation of differences in joined branches, control of fund allocation 10-day reports, requests for financial funds, handling of allocation of funds, turning over of savings and transfer of funds and other business procedures.

3. The planning department is responsible for the overall balance of credit revenues and expenditures, the drawing up, examination and approval or adjustment of the annual and quarterly credit plans, control of the credit-surplus quotas, control of the scale of circulation, statistical reports on credit revenues and expenditure, inspection and analysis of the situation in carrying out the credit plan promptly, feeding back information and advancing countermeasures and suggestions.

Item 11: Based on this regulation, each branch can formulate detailed rules of enforcement, and promptly report to the main office the situation and problems in regard to trial regulations.

Item 12: This regulation is effective 20 November 1985.

13103/12947
CSO: 4006/248

SHANGHAI'S INDUSTRIAL GROWTH DURING SIXTH 5-YEAR PLAN

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Oct 85 p 1

[Article by Lou Baoheng [2869 5508 5683]: "Shanghai's Industry Continues To Develop Steadily"]

[Text] Data published a few days ago by the Shanghai Statistics Bureau showed that the city's per capita output value for last year was over 30,000 RMB. This figure is equal to 2.2-fold the output level of workers nationally. It is predicted that by the end of this year, the productivity of industrial laborers throughout the province will rise 17.5 percent over the level of 1980, greatly surpassing the goal set by the Sixth 5-Year Plan.

This data from the Shanghai Statistics Bureau also indicated that during the period of the Sixth 5-Year Plan Shanghai's industrial productivity was characterized by continual, coordinated, and steady growth. At the present time, most of the economic goals established by the Sixth 5-Year Plan for this year have already been accomplished or basically accomplished.

From 1981 to 1984 Shanghai's industrial gross output value increased at an annual rate of 6 percent and reached the Sixth 5-Year Plan goal 1 year ahead of schedule. Output value for the first three quarters of this year surpassed the output value level for the entire year of 1980.

Shanghai has met the goals from 1 to 2 years ahead of schedule for 25 of the 50 main products in the Sixth 5-Year Plan, including steel, rolled steel, cement, and plate glass. It is estimated that by the end of this year, except for nine products, including cotton cloth and wrist watches, whose goals cannot be met due to changes in market needs, the goals for the other 41 products will be met or surpassed.

During the Sixth 5-Year Plan, Shanghai's light industry increased faster than its heavy industry. During these first 5 years, light industry increased at an annual rate of 7 percent while heavy industry increased at a rate of 5 percent. Production increased between 2 to more than 10 times for manufactured goods for daily use, such as color televisions, tape recorders, washing machines, refrigerators, cameras, and other high-grade durable consumer goods. At the same time this occurred, throughout 5 years the funds Shanghai used for

technological reform also increased yearly, averaging a 22-percent increase annually. From March 1983 to August 1985 the municipality imported advanced foreign technology or equipment on 809 occasions and started over 80 enterprises with foreign funds.

In the process of reforming the municipality's economic system, enterprise vitality was increased and economic benefits for enterprises were raised. During the Sixth 5-Year Plan, the amount of tax revenue and profits turned over to the state by Shanghai Municipality was equivalent to 3.2-fold the original value of its fixed assets.

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CSO: 4006/321

INDUSTRY

DEVELOPMENT OF TERTIARY INDUSTRY STRESSED

Beijing JINGJI LILUN YU GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 4, 28 Jul 85 pp 15-20

[Article by Du Tiezhang [2629 6993 4545] and Zhang Fan [1728 0416]: "Speed Up the Development of China's Tertiary Industry"]

[Excerpt] II. Great Development of Tertiary Industry Is a Pressing Demand of China's Current Economic Development

For a long time, we regarded tertiary industry as the product of the "three in one" theory of vulgar bourgeois economics, and labeled it as an anti-Marxist theoretical forbidden zone. No one studied it seriously. Nor was tertiary industry allowed its proper place in practice. This avoidance and isolation led to the stagnation of China's tertiary industry. According to preliminary figures of the relevant departments, tertiary industry workers did not even account for 20 percent of the total work force and only a little more than 18 percent of the GNP was represented by tertiary industry. In the United States these figures in 1980 were 66 and 63 percent, respectively; in Japan they were 49 and 55 percent, and in India, 18 and 37 percent. In other words, not only is the level of development of China's tertiary industry lagging far behind that of developed countries, but it is behind that of some developing nations as well. Of China's tertiary industries, service industries and public utilities are the most backward. The combined production output value of the two only account for 1 percent of China's GNP. The combined figure for culture, education, health and scientific research is slightly 7 more than 3 percent, while for developed nations, the percentage is usually around 30 percent. In particular the new departments of intellectual labor, such as information, communications and computer software which form the core of tertiary industry in developed countries, have not yet become independent fields in China.

The stagnation and backwardness of tertiary industry has been detrimental to production, the people's living standards and the balanced development of the national economy in China. It certainly cannot meet the needs of the current overall economic reform.

First, the backwardness of tertiary industry causes bottlenecks in the area of circulation and does not suit the needs of the development of large-scale commodity production and exchange. At present one-fourth of railways are

operating at a level exceeding the saturation point. The 14 major "stations with limited transport capacity", can only meet approximately half of the freight needs. Total water route shipping mileage is falling instead of increasing, and has dropped from 1.73 million km in 1960 to the current 1.08 million. Highway transportation is also quite backward. Due to this overload on limited transportation facilities, production is often determined by the amount of transport available, and work stoppages caused by delays in receiving materials are common. On one hand, cities are not supplied with all the agricultural byproducts necessary, while, on the other hand, the fruits of the peasants' hard labor literally rot waiting for transport. Products lack the appropriate practical conditions, and production and consumption have become disjointed from each other, which has been harmful to the development of production itself.

Second, the backwardness of tertiary industry hinders economically central cities from playing their multifunctional role, and is not suited to the needs of organizing the economy based on the city as center. Our past overemphasis on industrial development in urban work to the detriment of tertiary industry and the isolation of economic departments from each other, have led to the gradual shriveling of the city's multifunctional role as an economic center. Shanghai, China's largest economically central city, was once a flourishing commercial metropolis. Its Jiangxi Road was known as the "Wall Street" of the Far East, while the city itself was a center of science, technology and information services. However, due to the above reasons, Shanghai's economic role became increasingly unitary. Channels for commodity circulation decreased and buying and selling became difficult. Postal and telegraph services were backward, as were other forms of communication. Financial services shriveled up so that they could no longer support production, while the city's advantageous conditions for scientific and technical research were underutilized. Shanghai's multifunctional central economic role in serving the interior and catching up with international standards was reduced. This is not suitable to the realization of our hopes of reform by relying on large and middle-sized cities to end isolating divisions and to establish economic development zones.

Third, the backwardness of tertiary industry and the underdevelopment of science, technology and education, are not suitable to the needs of accelerating the pace of China's economic construction. At the 12th National CPC Congress it was clearly suggested that one half of production development from now on must rely on progress in science and technology. However, China's current scientific and technological standards are only equivalent to those of developed nations of the 1950's and 1960's. Education is also quite backward--there are only 11.8 university students per 10,000 people, while that figure for the economically developed United States in 1975 exceeded 523 per 10,000; for Japan at the same time period it was 230, and West Germany, 130. The portion of production increases represented by technological innovation in Japan increased to 55.2 percent from 1953 to 1971; in the United States that figure increased from 1950 to 1973 to 54 percent, while in the Soviet Union the proportion grew to over 40 percent from 1976 to 1980. Production growth in China largely rests on a great investment of live labor. For example, in industrial departments nationwide from 1964 to 1982, the proportion of increases

in production linked to technological progress was only about 20 percent. This is quite a distance from the demands of the 12th National CPC Congress.

Fourth, due to the backwardness of tertiary industry, there are no outlets for a large section of the labor force, which does not meet the needs of our goal of expanding employment. Tertiary industry is considered a means of expanding employment opportunities for the labor force abroad, and is a "reserve" for primary and secondary industry labor. In China primary and secondary industries have been viewed as the only outlet for employment, while the great role of tertiary industry in absorbing the labor force and providing work has been ignored. This has led to backwardness for tertiary industry, leaving many jobs unfilled while there is a large proportion of the labor force waiting for work. Our natural advantage of a large labor force has not only not been fully utilized, but has become a burden for society.

Fifth, due to this same backwardness, there are not nearly enough service industries and facilities, and the daily increasing demands of the people to improve their living standards have not been met. According to information from Shanghai, in 1978 the percentage of all employees in the city performing commercial system work dropped to 8.5 percent from 1952's 13.5 percent. Although there has been more development since the 3d Plenum of the 11th CPC Central Committee--the proportion of commercial system workers in 1983 increased to 9.1 percent in 1983, with an average of five commercial networks (including independent households), per 1,000 persons--these figures are only one-fourth of what they were before liberation. In the city of Beijing, there is a daily population turnover of 600,000 with only 222,000 hotel beds available, and only 1 public bus for every 2,000 people. As a result, renting a room, taking a bus, getting a meal, washing clothes and finding nursery space are quite problematic, and are difficulties common to all large and middle-sized cities. The people's living standards will improve daily on a basis of development in production as the reform progresses more deeply. If the pace of development of fast-food services, public utilities and other tertiary industries is not accelerated, the conflicts caused by these inconveniences in daily life will intensify.

The above information shows that the state of China's tertiary industry is not compatible with the needs of the healthy development of the national economy and the overall economic reform, which seriously inhibits the swift development of production and the further improvement of the people's quality of life. Therefore, the development of tertiary industry has been determined by objective economic laws, and is not simply a matter of our subjective wishes. Developing tertiary industry greatly is a major strategic plan in China's overall economic reform, and is an extremely urgent task of the construction of modernization.

III. Some Problems That Must Be Resolve in Order To Develop Tertiary Industry

First, a good deal of propaganda must be conducted on the important position and function of tertiary industry in the national economy. Tertiary industry must become a vital part of our work in statistical planning. For a long time, tertiary industry in China had a "poor reputation," was regarded purely as a consumer field, instead of as an industry, and was managed by social service

and charitable organizations in a rather unvigorous manner. As a result, not only did tertiary industry become backward, but as time went on, prejudices were formed against it as well. The first thing we must do to develop tertiary industry is to strengthen propaganda on the industry and its important position and function in the national economy. We must restore to tertiary industry its good "name" so that people will have a correct understanding of it. Then we must place tertiary industry in its rightful, legitimate place, and regard it as a genuine field of productive, entrepeneurial endeavor. Tertiary industry output value must be figured into the national economic accounting system so that its role in the national economy is accurately reflected. In planning, particularly in long-term planning, the laws of development, plans and guiding principles, production investment prices, and other problems relating to tertiary industry must be considered. A proportional, healthy relationship of coordinated development between tertiary industry and primary and secondary industries must be maintained under the planned guidance of the state.

Second, the scope and boundaries of tertiary industry must be rationally delineated in accordance with China's realities. Although at present there is no unified standard abroad for the definition of the scope of tertiary industry, the following departments are generally included: transport and transportation, postal and telecommunications services, commerce, food services, public utilities, finance and insurance, housing and real estate, information and communications, various specialty services, scientific research, education, medicine and health, culture and entertainment, radio and television, state organs, party and state institutions, social clubs and organizations, the military and police, etc.

There is no agreement as to which of these departments should be included within the scope of tertiary industry in China. There are three varying opinions on the subject: that we should completely copy the foreign example; that we should include "all the various service industries" but not state organs, party and government institutions, social organizations and clubs, the military and police and so on; that we should, on the basis of the second view above, also exclude science, education, medicine and health, culture and entertainment and radio and television. Our view leans basically toward the second opinion. From the thoretical point of view, state organs, the military and police are not important factors in the development of social production and do not belong in the category of production. The reason we advocate the great development of tertiary industry is to eliminate irrationality from the industrial structure in order to adapt to the changes in the structure of consumption. Our purpose is to promote production, make daily life more convenient and expand employment, and certainly not to develop unrelated industries or fields. Some people abroad regard state organs, the military and police and other departments as "secondary service departments" rather than as belonging to tertiary industry. Of course, when making international economic comparisons, we can adapt the foreign approach with appropriate adjustments.

Third, when calculating the output value of tertiary industry, GNP should be used as the overall indicator to measure economic development. As such, the following must be included: GVIAO, national income, and GNP.

What indicators should be adopted for China? We think that we should take the GNP indicator which is related to the tertiary industry and is used to compute the output value of tertiary industry as one of the major indicators to measure the level of China's economic development. Although different accounting systems and indicators should be adopted according to differences in social and economic systems, a more basic objective for their selection is compatibility with the level of development of the forces of production. In the early days after liberation, the level of development of the productive forces was quite low, and there was a great paucity of goods and materials. Adopting GVIAO as indicator was, under the historical conditions of the time, undoubtedly correct. Now that China's productive forces have developed to a great degree, as has the social division of labor, it would be definitely restrictive to continue to use, or solely use GVIAO as indicator. Therefore, the creation of new norms to take its place or supplement it should be considered.

Using GNP as an indicator needs further theoretical discussion. However, as regards practical work, it still has a positive role to play. The GNP indicator includes all the departments of the national economy, and can reflect the true social and economic state of affairs. The increases in value it shows in various departments do not include transferred value. By using it as a norm, we can avoid the duplication of the calculation of gross output value, and can accurately reflect the level of development of the productive forces. More important, by putting tertiary industry in its legitimate place, the vital role it plays in the national economy is clearly highlighted, which is beneficial to the coordinated development of the economy, society, and science and technology. Of course, the changing of indicators is not a simple matter because it involves the reform of the entire accounting system, and requires full thoretical and practical preparations. In general, given the current rather low level of development of China's productive forces, the uneven development among regions and the abasence of certain conditions, both systems can be used simultaneously for the present time--that is the utilization of both GVIAO and GNP as indicators. In planning national strategies for economic development, GVIAO will still be used as an indicator, while economically developed areas and central cities can consider primarily using GNP as indicator.

Fourth is the implementation of several practical policies to develop tertiary industry.

1. Implementing the principle of the simultaneous development of the state, collective and individual. The development of tertiary industry is a new phenomenon that requires new methods. We cannot continue to restrict ourselves to the old total reliance on the state. In addition to relying on the state to take primary responsibility for scientific research, education, finance, long-distance railroads, air transport, large-scale commercial organs and other departments related to tertiary industry, due to the limitations of collective and individual economic entities, we should permit diversified economic forms and management in policy based on the characteristics of the even more numerous tertiary industry departments that are more suited to decentralized management and depend on labor and service. The state, collective and individual can all set up tertiary industries such as transport,

commerce, food services, health care, consultation services, and staff training. As long as it is beneficial to the reality of business management, small-scale state-run retail shops and food and other services can be transformed to collectively run units or rented on contract to individuals. Industrial and mining enterprises and service facilities of official units must be gradually socialized. Peasants should be allowed to enter the cities to set up tertiary industries. We should remove obstacles in their way, create the proper conditions for them, and provide them legal protection.

2. Adjusting the irrational price policy. Overly low prices fixed for several years to several decades have been a widespread problem for China's tertiary industry. Progress in tertiary industry will be difficult to achieve if the rigid price system remains unchanged. Adjusting prices does not mean simply raising labor and service and product prices one grade and then fixing them there, but calls for the establishment of a flexible price system that is capable of adjusting itself along with changes in supply and demand. We must make them capable of relying on the labor and service and sales revenue provided by themselves in order to survive and develop. Other methods can be used to deal with the increased burden on the workers caused by price adjustments. Prices cannot be stabilized at the expense of the development of tertiary industry, or the various difficulties in the daily lives of people can never be resolved.

3. Reforming the irrational system of distribution. The rationality of the distribution system is the key to arousing the enthusiasm of the laborer. Several marked problems exist at present in the distribution system of tertiary industry, namely: low income, a rigid wage system and poor social welfare measures. It will be impossible to accelerate the development of tertiary industry without reforming the current system of distribution. We must proceed from the real situation at hand and initiate appropriate wage policies based on the different characteristics of each industry to enable the laborer to reap reasonable income that corresponds to his labor and to arouse his enthusiasm.

4. The state must provide financial and material support. Judging from the present situation, it will be difficult to make any significant breakthroughs in a short period of time relying solely on the tertiary industry's own accumulation. The state must provide support in a number of ways. Taxes can be lowered somewhat, and for some newly created industries, they can be waived for a few years. Preferential treatment can be given in the granting of loans. Permission can be given to import some necessary equipment, and the state must give thought to problems related to production investment.

5. Improving basic facilities. The backwardness of basic urban facilities is an obstacle hindering the development of tertiary industry. Flexible measures have to be taken, and a variety of different channels must be used to accumulate funds and construct trade, financial and information office buildings and build a solid foundation for the development of tertiary industry as a whole.

6. Tackling personnel training. A key to the development of tertiary industry is whether or not it can be supplied with a large number of specialized

personnel. Due to our past neglect of this problem, the present situation cannot meet out our demands. Therefore we must use a variety of methods to greatly develop specialized schools for tertiary industry, establish bases for training and cultivating personnel in order to ensure the personnel needs of tertiary industry and its development.

The above are real problems we have encountered in the development of tertiary industry. It is our belief that as long as we adopt flexible policies and measures, China's tertiary industry will quickly take on a new look.

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INDUSTRY

YANG BO PROMISES INCREASED INVESTMENT IN LIGHT INDUSTRY

HK100436 Beijing CHINA DAILY in English 10 Mar 86 p 1

[Article by staff reporter Zhu Ling]

[Text] The state is increasing its investment in capital construction and technical renovation of light industry this year, according to Yang Bo, minister of light industry.

Investment in capital construction this year will be as high as 814 million yuan ($254 million) or 14 percent more than in 1985, he said.

Spending on technical updating this year will reach 1.7 billion yuan ($531 million), which is 430 million yuan ($134 million) more than in 1985.

The minister said that investment is being increased at time when the country is short of funds.

Yang said light industry this year will concentrate on technical renovation of production of clothing, beer, canned food, glassware, paper, leather, and soft drinks. He said that the emphasis on light industry is intended to guarantee the basic needs of the Chinese people and to further improve their daily lives.

Last year, incomes of both rural and urban people rose, he noted, owing to the rise of employment, pay hikes in state-run and collectively-owned enterprises, and the increased sales of rural products.

Altogether, the increase was estimated at more than 77 billion yuan ($24 billion). The people's income will continue to grow, he said, causing a new wave of demand for consumer goods.

Yang noted that people now especially want nutritious, varied and quickly-prepared food, fashionable and comfortable clothing, and high-quality commodities that are durable and decorative.

This year, the Ministry of Light Industry has set a goal of an 8 percent increase in production. The total output value will reach 168.5 billion yuan ($52 billion), the minister said, adding: "We will try to do even better, increasing production by more than 10 percent."

Although pushing for more production to meet market demand, Yang Bo called on the whole light industry to put quality first. "We have quality problems since some enterprises are only speed-conscious," he said. He pointed out some problems, mainly involving canned food, refrigerators and soft drinks.

"Ours is a socialist country and we must be fully responsible to our customers," Yang stressed. "Although our light industrial production lags behind the people's rising living standards, expectations, and spending power, we must never strive for quantity at the expense of quality."

He called for strictly carrying out the state's "Five Prohibitions" set by the State Economic Commission.

The minister said that all light industrial products entered into competition for state quality prizes must be produced according to internationally-recognized standards.

He also declared that quality control must be closely linked with bonuses of workers. A quality index must be set for every worker. Those who fail to meet quality quotas must not receive bonuses.

The minister emphasized the necessity for after-sale services, saying all light industrial enterprises must be totally responsible for repair, replacement and reimbursement if their products are not up to standard.

Another top priority for the country's light industry is to revitalize its stagnant exports, Yang Bo said, adding: "There should be visible progress this year."

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INDUSTRY

LIGHT INDUSTRY ADVANCES IN NEI MONGGOL

Hohhot NEIMENGGU RIBAO in Chinese 22 Oct 85 p 2

[Article: "Nei Monggol's Second Light Industry Flourishing"]

[Text] During the past 30 years, Nei Monggol's second light industry has gone from being small to large and from being weak to strong. It has developed into a second light industry system that is taking shape with many branches, and has become an important component of Nei Monggol's national economy.

On the eve of liberation, Nei Monggol had a backward light industry with only a few scattered handicraft factories and small workshops. According to statistics, in 1948 the entire autonomous region only had 13,800 individual handicraft households, slightly over 24,800 people working in these handicraft households, and an output value of just a little over 20 million yuan. Most of these individual households were engaged in the natural trades of ironware, wooden articles, bronze, brass, or copper ware, sheet iron and tin plates, and feltmaking. The main products of these households included hoes, bridle bits, plows, harrows, yurts, shooting targets, hitching posts, and milk barrels. The scope of its production was small and scattered, it had simple handicrafts, simple technology, and products were of a single variety which fell far short of satisfying the needs of our autonomous regions various nationalities.

Since the founding of our People's Republic and under the radiant light of the party's policies, all levels of government have adopted active policies in support of the handicraft industry that led the individual handicraftsman along the prosperous path of collectivization. During the last 30-odd years, although our region has suffered from "leftist" disruption and sabotage that caused hardships, still, we vigorously progressed with tenacious vitality. At the present time, the second light industry encompasses plastic goods, leather, hardware, electrical appliances for home use, lamps and lanterns, weighing apparatus, furniture, sewing, and industrial art; also articles for culture, education, and sports; products from wood, bamboo, cane, palm, straw, and willow; daily-use articles; and light machinery. There are great numbers and a vast variety of products. According to statistics, as of the end of last year, throughout the autonomous region the second light industry system had a total of 1,529 enterprises with nearly 140,000 people employed by these enterprises and a gross output value of 762 million yuan, which is a 2-fold increase in comparison to the year 1949 and accounted for 9.3 percent of the GVIO for the entire autonomous region.

In addition to a big change occurring in the traditional trades of leather, furs, and hardware products this year, the new and developing industries of home appliances and packaging are starting to grow. Since 1979, there has been trial manufacture of over 1,400 new products with more than 3,600 varieties, with 58 of these products having been judged to have outstanding quality by the autonomous region and 12 products having been judged to have outstanding quality by the Ministry of Light Industry. The Chifeng Rug Factory's Changcheng type 90 high-quality wool rug and the Yimengnalin Rug Factory's Tiantan antique model handcrafted rug were selected as products with outstanding quality by the state and were awarded silver awards. The Chifeng Rug Factory produces Changcheng art tapestries which are of fine wool, are a bright red, have exquisite detail, are simple and tasteful, and are very magnificent. These rugs are exported to more than 10 countries, their high quality has been praised by Premier Zhou and given to friendly countries as treasures of China. Due to the steadily rising quality of Nei Monggol's second light industry products, we now have rugs, padlocks, clothing, cloth shoes, zippers, leather goods, fur and skin products, woven straw articles, and scores of other arts and crafts on the international market and they account for nearly 20 percent of the autonomous region's total gross value of exports.

In the last few years Nei Monggol has imported advanced technology and equipment from within China and abroad, there has been a marked rise in the level of its technical installations. This has freed the workers from heavy manual labor with the majority now having realized mechanized or semi-mechanized production and as a result receiving increased benefits. The long history of leathermaking has now changed through the achievement of mechanization, the many manual operations in the process of shoe manufacturing now being done by mechanized or automatic means. The tanning craft has adopted new technology to change the dirty, smelly, and tiring old process in order to open up new areas for leather products. With the import of advanced foreign technology and equipment, the plastic industry has emerged as a force. The Hohhot Juzhidalishi Factory imported equipment from West Germany, and after more than a year of development and working through difficulties has developed first-rate domestic products.

In recent years, the special products of Nei Monggol's minority nationalities have flourished, are becoming more prosperous day by day, and have become an important part of Nei Monggol's second light industry. Now, some specialized households have changed to producing special minority nationality products in 131 factories that employ over 10,000 people, have a yearly output value of over 30 million yuan, and account for 5.4 percent of the second light industry's gross output value. These factories are taking shape and emerging in Hohhot, Hailar, Duolun, and Xilinhot producing products such as Mongolian knives and boots, saddle accessories, yurts, milk barrels, sheep shears, pots and bowls, and rugs in a wide variety that meet the needs of the masses in the rural and grazing areas. These products are also selling outside the autonomous regions.

The characteristics of Nei Monggol's second light industry are that it is in many grassroots units and a vast number of counties, its management is flexible, it shows fast results with little investment, and has a large labor force. It is an important force in Nei Monggol's economy that cannot be ignored, and it is an industry that has very good development prospects.

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CSO: 4006/304

INDUSTRY

LIAONING'S HEAVY INDUSTRY LEADS NATION

Beijing BAN YUE TAN [SEMI-MONTHLY TALKS] in Chinese No 23, 10 Dec 85 pp 32-33

[Article by XINHUA News Agency, Liaoning Bureau: "The Heavy Industry Base That Lives Up to Its Reputation--Liaoning in National Perspective"]

[Excerpt] 1. Liaoning has been the leading heavy industry base since the establishment of the PRC. In 1984, the value of industrial output in Liaoning was 81.9 percent of the combined value of industrial and agricultural output. This is the largest proportion in any province and autonomous region. In 1984, the value of heavy industrial output in Liaoning was 37.43 billion yuan, which was 10.5 percent of the total value of heavy industrial output in China. It occupied first place in China.

2. Liaoning has excellent material and technical resources. At the end of 1984, Liaoning industrial enterprises had fixed assets of 56.57 billion yuan. On average, each production worker had equipment worth 11,856 yuan, the highest average of any province, municipality, or autonomous region.

3. Liaoning's proven iron ore reserves are 10.9 billion tons. In 1984, iron ore production was 25.1 percent of China's total iron ore production and Liaoning was the leading producer in China.

4. Liaoning has rich reserves of nonmetal ores. Liaoning has the largest reserves in China of diamonds, magnesite, borax, and bentonite. The magnesite reserves are more than 80 percent of China's total reserves and also are the largest reserves in the world.

5. There are 3,536 km of railroad tracks within Liaoning's borders. Calculated in terms of population, on average there is 1 km of track for every 10,000 people. Calculated in terms of land area, there are 243 km of track for every 10,000 square km. This is 3.6-fold higher than the national average, and is the highest ratio of any province or autonomous region.

6. In 1984, the population of cities and towns in Liaoning was 20.01 million people, which was 54.7 percent of the province's total population and the highest proportion in China.

7. In 1984, the number of workers and staff members was 9,017,000, the highest number in any province, municipality, or autonomous region.

8. Liaoning is an important base in China's metallurgical industry. It has four large steel enterprises: The Anshan Iron and Steel Co., the Benxi Iron and Steel Co., the Fushun Steel Mill, and Dalian Steel Mill. In 1984, Liaoning produced 9,686,000 tons of steel, which was 22.3 percent of total national production and was the largest total in China.

9. In 1984, production of pig iron in Liaoning broke beyond the 10-million-ton mark for the second time and reached 10,035,000 tons. This was 25.1 percent of total national production of pig iron and was the largest total in China.

10. Production of finished steel products in Liaoning leads the nation. In 1984, Liaoning produced 6,663,000 tons of such products, which was 19.8 percent of total national production.

11. The Anshan Iron and Steel Co. is China's largest combined iron and steel works. It has 56 plants and mines, including large-scale iron mines, sintering plants, ironworks, steel mills, and steel rolling mills. It has 220,000 workers and staff members. In 1984, it produced 7 million tons of steel and 4.31 million tons of finished steel products. Both totals were the largest in China.

12. Since establishment of the PRC, Liaoning has built, retrofitted, or expanded seven large 250,000 kW-installed-capacity power plants, as well as medium- and small-scale power stations. Liaoning has the largest power generation capacity in China. In 1984, Liaoning produced 32.39 billion kWh, the largest total in China.

13. Liaoning's Qinghe Power Plant, with 1.3 million kW installed capacity, currently is China's largest thermal power plant.

14. In 1984, the Fuxinhaizhou Opencut Coal Mine produced 5.28 million tons of coal, the largest total of any opencut coal mine in China.

15. In 1984, Liaoning produced 19,000 lathes, which was 14.2 percent of total national production and was the largest in China.

16. The Wafangdian Bearing Factory is China's largest producer of heavy-duty bearings. In 1984, the factory led the nation's bearing factories in terms of 11 comparative measures, including bearing volume, output value, and variety of product.

17. The Dalian Shipyard is the only shipyard in China that can take orders for 100,000-ton vessels.

18. In 1984, the Shenyang Electric Cable Factory led all similar factories in China as measured by six economic and technical criteria: output value, profits, cable conductivity, turnover of funds, total export volume, and fulfillment of international standards.

19. The Liaoyany Petroleum and Chemical Fibers Co. currently is China's largest comprehensive petroleum and chemical fibers enterprise. Its main

products are polyethylene and polypropylene, which are the raw materials for plastic, polyester pellets, which are the raw materials for polyester fibers, nylon 66 yan [7770], which is the raw material for polyamide fiber, and short polyester fibers and long polyamide fibers.

20. In 1984, Liaoning produced 704,000 tons of soda ash, which was 37.4 percent of total national production and the largest amount in China.

21. In 1984, Liaoning's paper industry produced products worth a total of 790 million yuan. Machine-made paper and cardboard production was 6.39 million tons, the largest amount in China.

22. In 1984, 850,000 household washing machines were produced, which was 14.7 percent of total national production and one of the largest amounts in any province.

23. In 1984, the total value of foreign exports was $4.99 billion, which was 20.4 percent of the national total and the largest amount in China.

12994/13045
CSO: 4006/570

INDUSTRY

TWO CHINESE MINICARS EXHIBIT EXCELLENT QUALITY

Harbin HEILONGJIANG RIBAO in Chinese 18 Oct 85 p 1

[Article by Li Dexi [2621 1779 1585]: "Two Minicar Models Attain the Performance Level of Japanese Cars of the Same Type"]

[Text] Two models of Chinese minicars using engines built in this country have attained a performance level equal to automobiles of the same type built by Japan at Lingmu.

This was the unanimous view expressed by the National Product Design Appraisal Conference that concluded today at Harbin.

Experts from various areas believe that the Harbin Aircraft Manufacturing Co., the Changhe Machine Building Plant of Jiangxi, and the Harbin Engine Building Plant subordinate to the Ministry of Aeronautics that built these two car models and their engines, are far ahead of others in China in their ability to produce spare parts. According to statistics, more than 85 percent of the parts for these cars are built in China.

These two models are quiet, emit little pollution, have good brakes, and low fuel consumption. Their fuel consumption is lower than Japanese cars of the same type.

The Harbin Aircraft Manufacturing Co.'s No 3 Enterprise started importing technology from the Lingmu Co. in the spring of 1984, the company integrated this technology with the actual conditions of China to develop these two car models and to carry out joint trial-production of them. As of now, there have been 7,000 engines built and 4,500 vehicles completed. These products are selling throughout China and are being well received by consumers.

Participating in this product appraisal conference of 4 days were leaders form the State Planning Commission, the State Economic Commission, the State Science and Technology Commission, the China National Automobile Industry Corp., the Ministry of Aeronautics, the Ministry of Public Security, the Ministry of Communications, the province and the city of Harbin. Also present were experts and professors from concerned universities and colleges and various units of scientific research departments.

12704/13068
CSO: 4006/270

INDUSTRY

CHINA PRODUCES MORE BUILDING MATERIALS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 5 Dec 85 p 1

[Article by Xiao Tihuan [5618 7555 3562]: "China's Building Materials Industry Flourishes"]

[Text] Lateral contacts have promoted the development of the building materials industry and the policy of "everybody attending to building materials" has initially showed vitality. Since this year the State Building Materials Bureau, in close coordination with fraternal departments, has made it possible for the building materials industry to flourish as never before. It is estimated that this year's output value of the building materials industry will reach 34 billion yuan and 60 percent of this figure will be contributed by fraternal departments and localities. This rapid growth also has been apparent in the output and variety of major building products among fraternal departments and bureaus as well as various localities.

The building materials industry is an industry that demands a tremendous volume of supply and deals with a wide range of variety. Since early this year the State Building Materials Industry Bureau has put forward a guiding principle of "everybody attending to building materials." The response from many departments and trades in various areas has been prompt and encouraging. According to preliminary statistics, the state has budgeted 700 million yuan this year for the development of the building materials industry. In addition, another 700 million yuan have been invested by localities while a further 700 million yuan have come from prefectures and counties. Adding the figures contributed by state departments and bureaus, the total investment is expected to reach 3 billion yuan.

In order to further strengthen lateral contacts and close cooperation with related trades and professions, the State Building Materials Industry Bureau on 3 December took the lead in asking over 30 departments to attend a forum for the purpose of exchanging experiences on "everybody attending to building materials." Responsible personnel of relevant departments exchanged views on problems of common concern and discussed means to solve those problems.

12661/9716
CSO: 4006/513

INDUSTRY

CHINA OVERFULFILLS CEMENT PRODUCTION QUOTA

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Dec 85 p 3

[Article by Xiao Tihuan [5618 7555 3562]: "Cement Production Overfulfills Quota Set by Annual Plan"]

[Text] It is heartening news that by the end of November, the gross output of cement, one of China's three major building materials, had reached 130 million tons, overfulfilling the 125 million-ton target set by the annual plan ahead of schedule and attaining the level of the world's leading cement producers.

Beginning this year cement production has consistently maintained a sustained and steady growth, without any additional investment by the state. The main reason for this is that the guiding principle of "everybody attending to building materials" has brought into play the enthusiasm of relevant departments in tapping potential, increasing cement production, and satisfying social needs. Old enterprises by and large have speeded up technical transformation by converting over 450 upright brick kilns into mechanized cylindrical ones. A group of large and medium-sized enterprises including those built with imported equipment and technology and those with domestic equipment during the Sixth 5-Year Plan period have successively begun production to boost cement output. Important contributions also have been made by township and town enterprises in various areas in an effort to develop cement production and ease the rising demand for more supplies. According to statistics, over 2,000 cement plants currently are operated by township and town enterprises, with their total productivity reaching over 18 million tons.

As to cement quality, all large and medium-sized enterprises throughout the country continue to maintain their previous peak levels. Quality of the cement produced by local enterprises has been improved and the rate at which the majority of the products produced by key plants with mechanized cylindrical kilns pass quality inspections has reached one hundred percent. At present, trades handling building materials are directing their efforts toward bringing about better results. It is estimated that the annual cement output may reach well over 140 million tons.

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CSO: 4006/513

INDUSTRY

ORDNANCE INDUSTRY PRODUCING CIVILIAN GOODS IN NORTHERN CHINA

Hohhot NEIMENGGU RIBAO in Chinese 12 Oct 85 p 2

[Article by He Jisheng [0149 4949 3932] and Liu Shaohua [0491 1412 5478]: "Bumper Harvest Season; a Bold Review; Ministry of Ordnance Industry in Northern China Holds Meeting for Placement of Orders"]

[Text] For the first time, the Ministry of Ordnance Industry in northern China will hold a exhibition in Hohhot for the purpose of placing orders for civilian goods for the year 1986. This grand meeting has added color to the late autumn of the city.

Reporters were extremely interested in this meeting. They interviewed several managers from the company in northern China of the Ministry of Ordnance Industry's Corporation for Developing Sales of Civilian Goods, and were first to get a preview of the meeting.

The exhibition hall had a superb collection of beautiful exhibits that exceeded our expectations, it was filled with various household articles and large items for use in production. There was a great variety and quantity exhibits. In order to satisfy the needs of Nei Monggol's various nationalities, all types of home-use machinery and electrical equipment were added to this exhibition, such as various models of Jialing [0857 7117], Honda, and Yamaha motorcycles and some refrigerators, washing machines, bicycles, and sewing machines that sell well in China. There were so many things that a person could not see them all. Manager Peng, of the company located in northern China, told us that since 1980 the Ministry of Ordnance Industry has complied with the Central Military Commission's policy of "maintaining ordnance production while shifting to production of civilian goods." Its subordinate enterprises have given full play to the ordnance industry's technical ability and its superior equipment in making a major effort to develop the production of civilian goods. In the last few years, a production capability of over 1,000 products in 13 different categories has evolved, and assembly-line production has begun for vehicles, motorcycles, and cameras that now hold a leading position at home and abroad. At this order-placement exhibition, the sponsoring unit will provide 60 million yuan of merchandise for northern China and Nei Monggol. This will show the war industry's technical strength and prospects for the war industry shifting to production of civilian goods.

The reporters viewed the Baiyun brand refrigerator with great interest. This refrigerator's outward appearance and color are coordinated and attractive, its interior work is of good quality, and can freeze water into ice within 10 minutes. Based on expert appraisal, the Baiyun Refrigerator compares favorably to Japanese models. In the middle of the hall there were various models of bicycles, which we thought were produced by a specialized factory but after a close look we saw that they were Lingyang models produced by Nei Monggol's No 2 Machinery Plant. If the trade mark was not shown, everyone would think that they were famous brand bicycles. Nei Monggol's First and Second Machinery Plants, lacking sufficient war production to keep busy, have vigorously developed production of goods for civilian use. They developed knew products based on market surveys and what they learned from economic news, they successively produced trucks with 36-ton carrying capacity, hydraulic lifts, oil-drilling rods, bicycles, coal gas tanks, steel poles, electric meters, and window bars. Each year they produce over 1 million meters and over 40,000 bicycles, and thereby contribute to making the autonomous region's economy prosper.

This grand exhibit is a review of the great success the ordnance industry has made in shifting to civilian goods. The various products came from 187 organizations throughout China. Like colorful flowers blossoming in a garden, over 200 organizations were drawn to the exhibit to place orders. One comrade from a certain county in Shanxi rushed to the exhibit for fear he would lose the chance to place an order. The man said they did not receive a notice about the exhibit and after hearing news of it traveled night and day north of the Great Wall to Qingcheng to attend the exhibit.

This first Ministry of Ordnance Industry's order-placement exhibit held in northern China at Hohhot shows the concern the party, state, and inner-government has for Nei Monggol's economic cause. It is truly a case of "the rain knowing the season comes in spring." We offer our gratitude to the leaders and workers of this exhibit and wish them complete success.

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CSO: 4006/270

INDUSTRY

SILK INDUSTRY SEEKS FURTHER GROWTH

OW071308 Beijing XINHUA in English 1114 GMT 7 Mar 86

[Text] Beijing, 7 Mar (XINHUA)--China's centuries-old silk industry is seeking further growth with the help of modern technology and advanced management.

A total output value of 7.53 billion yuan is planned this year, a 3.4 percent growth over last year, and the average annual rate of growth through to 1990 is expected to be 4 percent, according to sources at the China National Silk Corporation.

To achieve this target, the technical transformation of 440 enterprises and plants will take place in the next 5 years, with the priorities on product variety and energy reduction.

Meanwhile, efforts will be taken to make a thorough study of imported advanced technology and equipment, especially in the printing and dyeing processes.

In a bid to guarantee quality material, branches under the corporation this year are to issue certificates to silkworm-breeding units after examinations.

As the biggest silk producer in the world, China last year turned out 42,000 tons of silk, more than half of the world's total output. The country's silk trade volume makes up 90 percent of the international silk trade total.

A national silk association was set up early this year to further strengthen trade relations in the material with the outside world.

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CSO: 4020/246

INDUSTRY

COUNTRY EXPERIENCES BOOM IN ARTS, CRAFTS SALES

OW100826 Beijing XINHUA in English 0710 GMT 10 Mar 86

[Text] Beijing, 10 Mar (XINHUA)--A big boom in the arts and crafts industry is expected for the next 5 years, according to the China Arts and Crafts Corporation.

"We plan to bring the output value of the industry to 9 billion yuan by the year 1990," Qi Zheng, general manager of the corporation, said here today.

Efforts will be focused on carpets, drawnwork, toys, metal crafts, lacquerware and fireworks.

Most of China's arts and crafts used to be produced for the international market. But with improved living standards, the domestic demand is also rising, the general manager said.

He told the current meeting of managers of the nation's arts and crafts companies that the total output value of the industry was 6.1 billion yuan in 1985. Of this, 3.35 billion yuan worth of products were sold in the domestic market and export earnings were U.S.$1.25 billion.

There are more than 3,400 arts and crafts factories in China, producing more than 10,000 varieties of handicrafts.

The general manager said that during the sixth 5-year plan period (1981-1985), the industry grew at an annual rate of 8.2 percent and domestic sales grew at an annual rate of 27.4 percent.

The demand for gold jewelry has kept growing. Last year, the country produced 2.4 billion yuan worth of gold jewelry for the domestic market, which went a long way to help stabilize the market and withdraw currencies in circulation, the general manager said. The supply of gold jewelry, high-ticket [as received] toys, interior decorations, embroidered fashion shirts and artistic lamps falls far short of demand, he said.

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CSO: 4020/246

INDUSTRY

BRIEFS

PAPER INDUSTRY PRODUCTION--Beijing, 6 Mar (XINHUA)--Publishers of China's more than 3,500 newspapers and magazines will no longer have to contend with paper shortages in 3 to 5 years, a leading government planner said today. According to plans of the Light Industry Ministry for the period ending in 1990, total paper output will increase 2 million tons to more than 10.5 million. At the same time, newsprint production is expected to grow 50 percent to 600,000 tons and printing paper from 900,000 to 1.3 million tons by 1990. Chen Siliang, deputy director of the Paper Bureau under the Ministry of Light Industry, told XINHUA today that to meet these goals, paper pulp mills will be built in the country's southern regions with abundant timber and bamboo resources. The ministry will also build several large and medium-sized paper mills and modernize its current factories, Chen said. Over the last 5 years, paper production has failed to keep up with increasing demand as more than 1,000 new newspapers and magazines began publishing. [Text] [Beijing XINHUA in English 1649 GMT 6 Mar 86] /9604

BEIJING'S FACTORIES' RURAL BRANCHES--Beijing, 13 Mar (XINHUA)--Beijing now has over 300 factories jointly run by the urban managers and the local peasants, who share the investment, profits and risks. These factories in Beijing suburbs produced 140 million yuan of industrial output last year. They have advanced equipment, large production scales, adequate raw materials and brisk sales. Over 21,000 local peasants now work for these enterprises. Products include machinery, garments, family electrical appliances, chemicals and building materials. Many urban factories select production partners in the suburban counties where there is a surplus of labor and space for workshops. Urban technicians and skilled workers go to the rural factories to improve the quality of products. Urban garment factories attached to the first municipal commerce bureau are mainly scattered around Wangfujing and other busy shopping centers. Production was limited by a shortage of working space. To overcome the problem, the commerce bureau installed imported production lines in 17 branch factories set up jointly with rural counties and districts, and sent 140 urban workers to guide production. The branch of the Red Leaf Garment Factory in Taishitun Township of Miyun County produced 100,000 articles of clothing in 1 year and earned 2.6 million yuan in profits. [Text] [Beijing XINHUA in English 0740 GMT 13 Mar 86] /9604

SHIPBREAKING INDUSTRY--Beijing, 11 Mar (XINHUA)--China dismantled a total of 268 ships over the past 3 years, recovering 1.9 million tons of rolled steel and scrap, according to today's PEOPLE'S DAILY. The country started the industry in 1983 to cope with the short supply of rolled steel and scrap in the domestic market. Steel from dismantled ships can save one-third of the hard currency needed to buy steel by direct import. To improve management over the rising industry, China established a ship-breaking corporation on 1 January 1985 and implemented the contract system in 119 plants. As a result, the weight of dismantled ships doubled in 1985 over 1984. The corporation used most of its profits for technical renovation and developing advanced techniques. Over the past year, most of the plants have added environmental protection facilities, such as water treatment plants. [Text] [Beijing XINHUA in English 0744 GMT 11 Mar 86] /9604

IMPROVED PORCELAIN PRODUCT QUALITY--Beijing, 11 Mar (XINHUA)--China is to allocate 500 million yuan and U.S.$50 million to improve the quality of its porcelain products. According to sources at the Light Industry Ministry, the special fund will be used to build five modern porcelain plants and corresponding raw material bases in Jingdezhen, a city in southern China famous for its porcelain, and four other regions. Experts say that China's porcelain, which enjoyed world renown as early as 1,000 years ago, is ill-equipped to turn out large quantities of common utensils required by tourist hotels and other high-class establishments, although craftsmen can still produce superb artcrafts. Also, porcelain products required for domestic use are too fragile, housewives say. These problems have even adversely affected China's porcelain exports. According to statistics, China, with over 3,000 porcelain makers, stands as the biggest porcelain exporter in the world in terms of quantity, but it is listed as the sixth or seventh in terms of revenue from exports. Last year, the country sold about 500 million pieces of porcelain on international markets, but earned only U.S.$109 million, behind Britain, Japan, the Federal Republic of Germany, Italy and other countries. However, officials in charge of porcelain production remain confident. Citing the abundant resources of porcelain clay, the excellent traditional craftsmanship and complete system from scientific research to production, they said Chinese porcelain production will be remarkably improved both in quantity and quality when modern equipment is introduced. [Text] [Beijing XINHUA in English 1532 GMT 11 Mar 86] /9604

STEELWORKS PROFITS INCREASE--The Baotou Steelworks exceeded this year's state profit plan of 125 million yuan 3 mohths ahead of schedule with profits of over 126 million yuan. Since this year, the party organizations at all levels of the Baotou Steelworks have consolidated the achievements of party rectification, conducted thorough education in ideals and discipline for vast numbers of staff and workers, and continually guided the reform in depth. Since the first of the year, the Baiyun Iron Mine has practiced the responsibility system of wages based on tons of mine ore, thus causing the mine's monthly ore production to break the all-time record. The mill started turning deficits into profits last year, and this year fulfilled its yearly profit plan within the first 5 months. In August the mill also set the record for highest monthly steel output. During September the Paotow Steelwork's Chuzha Mill and other main mills and mines carried out a major overhaul of their equipment which to some extent affected production. The company adopted vigorous measures so at

the same time they maintained balanced production they could also speed up the pace of equipment overhaul, enabling all the major mills and mines to fulfill all but two of their monthly production goals. In the first 9 months of this year, the Paotow Steelwork's had fulfilled 89.2 percent of the goal for its gross industrial output value set by the state for the entire year, its steel and iron output being 1.15 million tons and 1.29 million tons, respectively. [Text] [Hohhot NEIMENGGU RIBAO in Chinese 18 Oct 85 p 1] 12704/13045

IRON PRODUCTION--The Shanghai Baogang No 1 Blast Furnace, known as "the king of blast furnaces," as of noon today had produced 130,000 tons of iron in its first month of operation. This exceeded its planned production by more than 10 percent, with its product quality reaching the high-quality level. The No 1 Blast Furnance officially went into test production on 15 September and steadily raised its daily production level. During the last half of September its daily iron production averaged 3,700 tons, during the first half of October it rose to 4,700 tons, and has now reached a level of 5,000 tons per day. This signifies that this "iron and steel giant" is in the process of quickly approaching its designed goal of being a 10,000-ton-class furnance by already passing the halfway mark. The Baogang Ironworks, with the No 1 Blast Furnance as its heart, has over 3,900 pieces of imported equipment. The operators carried out operations in precise accordance with technical regulations to ensure full play was given to the technology and performance of the imported equipment. In the last month, the blast furnance's four large tap holes were tapped 170 times without any accidents that stopped or decreased production. [Text] [Changchun JILIN RIBAO in Chinese 17 Oct 85 p 1] 12704/13068

CSO: 4006/270

ACHIEVEMENTS OF HUNAN TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Changsha HUNAN RIBAO in Chinese 1 Jan 86 p 1

[Article by Peng Fugui [1756 0126 2710] and Mo Xiyan [5459 6007 1484]: "Gross Output Value of Hunan's Township and Town Enterprises in 1985 Amounts to 9.5 Billion Yuan; Hunan's Township and Town Enterprises Continue To Raise Output and Quality During Sixth 5-Year Plan Period With 110 Products Making Way into World Market"]

[Text] A new situation of vigorous development of Hunan's township and town enterprises came into being in 1985. Gross output value rose from 6.4 billion yuan in the preceding year to 9.5 billion yuan, an increase of 49 percent. Throughout Hunan, there were 38 counties whose township and town enterprises' output value exceeded 100 million yuan, of which Liling City and Changsha and Shaodong counties were expected to exceed 300 million yuan.

In spite of an early start, the development of Hunan's township and town enterprises is slow. At the inception of the Sixth 5-Year Plan period, the leadership at all levels emancipated its mind, relaxed policies, encouraged individual peasants and joint households to run enterprises, and organized the collective, the joint households, and individuals to pitch in; it supported township and town enterprises in breaking down the bounds of administrative divisions, going into joint operations with other places and provinces, and importing funds, technology, equipment, and qualified personnel; it had, at the same time, made preferential provisions in tax payment for profit and supply of raw materials to help develop the township and town enterprises. This had brought about rapid development of Hunan's township and town enterprises.

The recent 5 years marked the years of fastest development of Hunan's township and town enterprises. By the end of 1985, the number of township and town enterprises throughout Hunan had increased to more than 240,000, nearly tripling that in 1980. Some of the major industrial products of the township and town enterprises held decisive positions in relation to the total output in the province, of which raw coal and manganese ores accounted for more than 40 and 50 percent, respectively. Product quality also improved markedly: there were 5 fine-quality products of national standing, 110 fine-quality products cited by the province and the ministry and more than

200 fine-quality products of provincial standing in 5 years, of which the number of products that had made their way into the world market jumped from 21 kinds 5 years ago to 110 kinds, marketed in more than 20 countries and regions. The volume of export rose from more than 2 million yuan to more than 300 million yuan. Township and town enterprises developed even faster in 1985, with gross output value in the whole year showing a three-fold increase over 1980.

The vigorous township and town enterprises have found an effective way for Hunan to place the surplus labor force in the countryside, develop market towns, accelerate the pace of making the countryside rich, and increase financial revenue.

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CSO: 4006/762

SMALL-SCALE ENTERPRISES

CONTRACTED MANAGEMENT FOR TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Beijing NONGGUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese No 12, 5 Dec 85 pp 16-17

[Article by Zong Jinyao [1350 6930 5069] and Cao Guangming [2580 1639 2494] of the Township, and Town Enterprises Bureau of the Ministry of Agriculture, Animal Husbandry and Fishery: "Further Perfect the System of Contracted Responsibility for Management of Township and Town Enterprises"]

[Text] The system of contracted responsibility for management has been widely implemented among township and town enterprises throughout China for more than 3 years. In the course of its implementation, some problems demanding prompt solution still exist in various localities. They are:

1. Two extremes exist on the part of the contracting parties regarding the management of the contracted enterprises: they are either overly controlled or not controlled at all. In dealing with the enterprises they have contracted out, some localities still do not delegate power fully and interfere with the enterprises excessively as they did in the past, the contractors do not have much decisionmaking power; on the other hand, some localities have looked upon a contract purely as a means to ensure that the enterprises will deliver their profits. They only care about profit retention but not enterprise operations and management, which are being replaced by a contract.

2. The form of the contract is much too simple. Many places have signed simple contracts with individual factory directors and managers (or partners) and adopted the profit-contract system of distribution involving full reward and full compensation. According to an investigation in a certain prefecture in Hunan Province, 74.5 percent of the enterprises adopted the system of contracted responsibility with individual factory directors and managers (or partners) and 70.7 percent implemented the profit-contract system of distribution involving full reward and full compensation, thereby turning some contracted enterprises into private ones.

3. The contents of the contracts are too concise, with contracted targets set either too high or too low. In some localities, only the targets for profit delivery are stipulated, without imposing demands and restrictions in other areas; in addition, the contracted targets so set are devoid of scientific and rational estimates. As a result, a contractor will take away the money when profit is made and skip town when a loss is incurred that he cannot pay.

4. The relationship between accumulation and distribution is not handled properly, resulting in a phenomenon that can be characterized as "contention at both ends with a void in the middle, in other words, while more townships and villages deliver profits and the contractors and workers and staff members are sharing more, there is little accumulation for the enterprises" and "Buddhist monks in a poor temple are richer." This has led to shortages in funds on the part of enterprises and their inability to expand reproduction.

To improve the system of contracted responsibility for management of the township and town enterprises and consolidate and develop the rural cooperative economy, we are of the opinion that the following work should be strengthened in dealing with the contracted enterprises:

1. Strengthening Leadership and Raising Understanding of the System of Contracted Responsibility for Management of Township and Town Enterprises in a Down-to-Earth Way: Under the system of contracted responsibility for management of township and town enterprises, the contracting party of an enterprise will turn the enterprise over to a collective or an individual for contracted management based on certain conditions; the contractor, on the other hand, will exercise the power granted by the contracting party on the precondition that he will not change the nature of the enterprise's ownership or its subordinate relationship. Within an enterprise, the contractor or his representative is the administrative leader of the enterprise who also represents the interests of all its workers and staff members and at the same maintains a comradely relationship with them on an equal footing; holding himself accountable to the contracting party, a contractor underwrites principally the enterprise's economic responsibility and also represents the contracted enterprise. For this reason, the contracting party of a township and town enterprise should neither give up control of a contracted enterprise totally nor control it too rigidly. It must correctly handle the relationship between reinvigorating it through delegation of power and strengthening its management.

2. Carefully Selecting the Right Factory Director and Manager for a Contracted Enterprise and Rationally deciding Contract Targets: In selecting a factory director and manager for a contracted enterprise, we should look into two things: a) The requirements: we should select those comrades who are capable of enforcing state policies and laws, who are devoted to their work and have the mind to do pioneering work for the collective, who have certain general and technical knowledge and the ability to manage, organize and lead, who are honest and upright in their own ways and evenhanded and who enjoyed the support of workers and staff members. b) The methods: we must insist on election by workers and staff members, combining recommendation by the masses with investigation by the organizations, and linking contracts through public bidding and recruitment by means of public announcement with appraisal by the masses through discussion so that comrades meeting the above-mentioned requirements can be elected.

Contract targets include the output, output value, and profits to be fulfilled, the fixed-asset depreciation fund to be drawn from, major overhaul fund, the

public welfare fund, education fund, enterprise fund, and so forth; the amount of profit to be delivered and the ratio of delivery, management expenses, and so forth; guaranteed ivnestment for intellectual development, capital construction, and the percentage and extent of equipment that is in good condition. The contract targets so defined must be absolutely reliable and based on an enterprise's productive capability, the actual conditions over the years, the enterprise's potential for development, market forecasts, the enterprise's technological level and funding. All these must be taken into serious consideration and rationally defined in reference to the average advanced level in other trades of the same category. If a contract covers a long period, an adequate ratio of accumulative increase may be set each year. "Elastic" targets may be set up in consideration of market regulation being taken as a dominant factor by the township and town enterprise. In other words, the contracting party and the contractor must through consultation come up with maximum and minimum contract targets subject to rewards when the maximum targets are fulfilled or overfulfilled and penalties when minimum targets are not met.

3. Contracts Must Be Signed in Seriousness and Fulfilled Strictly: Both the contracting party and the contractor must sign a written contract in seriousness which must also be certified by the responsible department of an enterprise and industrial and commercial administrative departments. The contents of a contract may be specified by various localities in accordance with the different forms of contract. However, the main points should include: the responsibility, power, and benefits of both the contracting party and the contractor; the amount of fixed assets and circulating fund; various contract targets; the basic wage standards for the workers and staff members of the enterprise; the principles and measures governing rewards for fulfilling or overfulfilling contract targets and penalties for failing to fulfill the same; the responsibility of paying off debts and the methods of disposing of goods and materials, finished and semifinished products in stock at the time the contract expires; the requirements and measures governing safety in production and environmental and natural protection; the enterprise's plan for technological transformation and capital construction for the period covered by the contract and the responsibility for both parties in fulfilling the plan; conditions for changing the contract, the time limit of the contract and the responsibility for the breach of contract and so on and so forth. a contract is legally binding once it is signed and both parties must strictly abide by it. In executing a contract, it is common practice that barring special circumstances it must be honored. If special circumstances necessitate a change or termination of the contract, both parties must be consulted and must take the matter to the contract certification and control board for a ruling. Neither side is allowed to scrap a contract without authorization.

4. Correctly Handling Relations Between Accumulation and Distribution and Continually Enhancing the Enterprise's Ability for Self-Development: The profits made by a contracted enterprise should be distributed according to the principle of giving consideration to the multiple interests of the state,

the townships and villages, enterprises, the investors, the contractors, and the workers and staff members. Under existing conditions, the portion of after-tax profits retained for an enterprise to expand reproduction should not be lower than 60 to 70 percent as a rule; the portion to be delivered to the contracting party should not exceed 30 to 40 percent on the whole. The income of the contractor and workers and staff members should be in keeping with the principle of to each according to his work. There should not be a wide gap in income between a factory director and manager and should not be a wide gap in income between a factory director and manager and workers and staff members. An enterprise which became a shareholder with funds raised on its own may apply the method of drawing dividends but retaining the interest in dividends. However, the amount of dividends should not exceed 20 percent of the share.

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SMALL-SCALE ENTERPRISES

GUIDING IDEOLOGY FOR DEVELOPING BEIJING TOWNSHIP ENTERPRISES

Beijing NONGCUN GONGZUO TONGXUN [RURAL WORK NEWSLETTER] in Chinese
No 12, 5 Dec 85 pp 14-15

[Article by Bai Yuguang [4101 2589 0342] of the Agriculture and Forestry Office of Beijing Municipal People's Government: "Rely on Two Ends To Bring Them into Line--On the Guiding Ideology of Developing Township and Town Enterprises in the Beijing Suburbs"]

[Text] Editor's note: The vigorously developing township and town enterprises have in recent years become a positive force in reforming the structure of agricultural production and a huge assimilator for shifting rural labor forces. These township and town enterprises have now come upon a series of difficulties, such as funding, raw material shortages, and rising energy prices, which at the same time exposed problems of shoddy operations and management, poor economic results, and inferior product quality in some enterprises. To further develop township and town enterprises, we must restructure, consolidate, and reform in various areas. This series of articles may be used for reference by various localities. [End editor's note]

The township and town enterprises in the suburban districts of Beijing Municipality that developed very fast in recent years have become a vital mainstay of the rural economy playing an immeasurable role in promoting the readjustment of the structure of agricultural production, bringing about agricultural modernization, and elevating living standards. The gross income of the township and town enterprises in the suburban districts in 1984 accounted for 93.4 percent of that of the rural collective economy; the net profits used as funds in subsidizing agriculture from 1978 to 1984 (namely, for purchasing agricultural machinery, construction of water-conservancy projects, support of production teams, and subsidizing agricultural bonuses) amounted to a grand total of 470 million yuan, 1.5 fold the funds allocated from municipal revenues in support of agriculture since 1978. The proportion of township and town enterprises in relation to direct or indirect participation of the commune members' collective distribution had increased yearly, its 1984 proportion accounting for 45.6 percent. The township and town enterprises in the Beijing suburbs in the meantime have become the "second front" of industries in the entire municipality with more

than 4,400 enterprises establishing stable ties of economic cooperation with urban industries and being involved in more than 1,000 projects. Nowadays, one-third of the clothes produced in the entire municipality come from the countryside, as do one-half of the shoes and two-thirds of the carpets. How will the township and town enterprises in the Beijing suburbs continue to develop in order to achieve greater speed and higher results? We must have a very clearly defined guiding ideology, which can be described briefly this way: "relying on the two ends to bring them into line." By "two ends," is meant agriculture in the suburban districts, including crop-growing and breeding undertakings, on one hand, and urban industry in the national capital, on the other hand. "Bringing them into line" means the development of the township and town enterprises should keep pace with agriculture and in line with urban industry.

The development of township and town enterprises has a natural flesh-and-blood tie with agriculture. Engels said: "In order not to let those people elbowed out of agriculture go without a job or force themselves on the cities as a result of the division of labor between industry and agriculture, they must be allowed to engage in industrial labor in the countryside." By investing money locally in running enterprises and "leaving the soil but not the village and doing work without entering the cities," China's peasants have found a way of pushing industrialization in the countryside which is different from that in the capitalist countries. Judging from the present situation, although the labor forces that shifted from agriculture to township and town enterprises have become workers, they still are listed under rural households. In a rural family there are always some people who work and others who farm. This character of farming and working concurrently by the rural labor forces and families is a specific manifestation of close integration of rural industry and agriculture in a Chinese way. On the other hand, township and town enterprises in the suburban districts cannot be developed without having to rely on agriculture. This is because the township and town enterprises are the result of the development of the agricultural productive forces to a certain stage; the speed and scale of their development, in the final analysis, is determined by farm produce and sideline products and the surplus labor force that agriculture can provide. Therefore, the development of township and town enterprises in the suburban districts must proceed from the overall situation by integrating with agricultural development. However such an integration should occur at a higher level comprising two aspects: (1) It supports agriculture in achieving modernization, that is, achieving agricultural mechanization in the form of "supplementing agriculture with industry" so as to basically raising agricultural productivity. The per capita labor productivity of township and town enterprises in 1984 was 5,187 yuan but that of the crop-growing trade was 1,319 yuan. Compared with 1980, the labor productivity of the crop-growing trade increased 54 percent and that of township and town enterprises jumped 74 percent. Agriculture was much lower than the township and town enterprises, whether in terms of standards or speed. Agriculture will decline if township and town enterprises fail to render support in developing it at a pace more or less similar to that of their own. (2) Township and town enterprises should concentrate on developing trades that "base themselves upon and serve agriculture" in order to change the situation whereby

agriculture produces only raw materials. The first step is to develop industry to process farm produce by integrating growing and breeding into an organic whole in production in the Beijing suburbs where agricultural production and processing are done locally. There is also an inexorable trend for the processing of farm produce and sideline products to shift from the cities toward the countryside. The second step is to develop storage, packing, transportation, and supply and marketing departments to serve agriculture before, during and after the production process. This is a production link that must be improved before agriculture can be specialized, commercialized, and modernized. Because such enterprises often do not make much profit, they are at times overlooked in the course of development. This again has brought up another issue, that is, in developing township and town enterprises, one cannot keep an eye on economic results alone but must also watch the comprehensive and social effects. Based on this understanding, we suggest that in consolidating township and town enterprises at the next stage, we should classify those enterprises that are in keeping with the orientation of macroeconomic and proportionate development in spite of limited output value and profits as key enterprises and give them all-out support.

By relying heavily on agriculture on one end does not mean ignoring urban industry on the other. Township and town enterprises in the Beijing suburbs enjoy exceptional advantages in relying on large industries. According to the national capital construction planning, the principle of distribution of industry is to transform and streamline industries in the city proper, readjust and control industries in the suburbs, and energetically develop industries in the outer suburbs. The principle of industrial development in the outer suburbs, on the other hand, calls for the building of satellite cities and townships and small industrial districts to be supplemented with district and county industries and township and town enterprises. Speaking of suburban districts, there are vast space, ample labor force, and rich natural resources there, and the peasants also aspire to take over some of the tasks in processing products and parts from urban industry. Consequently, the trend of development is that township and town enterprises will be relying on urban industry, which in turn will be backed by the rural enterprises, as the two mutually depend on each other.

If it is true that the township and town enterprises in the Beijing suburbs do not rely solidly on agriculture, neither do they rely heavily on industry. This is manifested principally in: (1) There is a gap in both magnitude and depth in their ties with urban industry. Take, for example, the output value of the products processed, assembled into complete sets and classified in the same category after processing by the cities, according to last year's statistics, it accounted for approximately 36.9 percent of the output value of township and town industry (which in Shanghai accounted for 65 percent). To carry out technological transformation of township and town enterprises by relying on the technological advantages of the state-owned large industries alone is not sufficient. (2) A certain degree of blindness in action existed in integrating township and town enterprises with urban industry; it is basically a "loose integration" like "a maid scattering flowers here and there." Township and

town enterprises in the suburban districts are divided into 15 departments each with a little of everything and are ready to do business as long as there is a profit to be made. Some are duplications of urban industry, some have not been developed when they should. According to the trend of urban industrial development in the capital, those sectors that should be developed with priority are the food industry, electronics industry, new-type building materials and machinebuilding industries (moving toward technology-intensive industry), the textile industry and the new-type chemical material industry. The development of township and town enterprises should be in keeping with the strategy mentioned above. The basic tactic is "more integration and less competition" and establishing a new-type relationship of "mutual accommodation" with urban industry. In the meantime, township and town enterprises should score successes by turning out products in small quantities but more variety in a manner of small but specialized, small but superior, small but new, and small but inexpensive. Besides assembling into complete sets and processing for urban industry, township and town enterprises should also turn out some independent products to make good the omissions and deficiencies of large industry.

In short, to develop the township and town enterprises in the Beijing suburbs, it is necessary to handle two benign cycles well in the macroeconomic field: (1) That involving the industry, commerce, and transportation trade within the rural economy and agriculture, with the focal point on the three-dimensional development of agriculture. (2) The benign cycle between township and town enterprises and urban industry that will integrate large, medium, and small industries and merge urban and rural industries into an organic whole. These two links are interrelated and mutually influencing. This is an important guiding ideology being considered by us for developing township and town enterprises in the Beijing suburbs.

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SMALL-SCALE ENTERPRISES

SICHUAN TOWNSHIP, TOWN ENTERPRISES SHOW STEADY DEVELOPMENT

Beijing NONGMIN RIBAO in Chinese 29 Jan 86 p 1

[Article by Lei Zhongming [7191 0112 2494]: "Steady Development of Farm Produce-Processing, Building Materials, and Energy--The Three Mainstays of Sichuan's Township and Town Enterprises"]

[Text] Sichuan's township and town enterprises are developing with great vitality in the course of national economic readjustment. Steady development at high speed and with good results is gaining momentum. The gross output value of Sichuan's township and town enterprises last year came to 13 billion yuan, an increase of more than 40 percent over the preceding year. Fairly good economic and social comprehensive results were also achieved with the simultaneous increase in the tax delivered and profits made by enterprises.

Sichuan's leading organs at all levels paid special attention to the development of township and town enterprises. In spite of the country's tight money-market situation last year, they managed to "survive the stringency, achieve good results in spite of scarcity, make a concerted effort, and tide over the difficulty," tapped financial resources for developing township and town enterprises, and ensured the completion and start-up of several key construction projects and projects of technical transformation on or ahead of schedule. While facing financial difficulties, the provincial government appropriated a special fund of 10 million yuan for developing "short-term, applicable, and fast" projects of township and town enterprises. It also mobilized the masses to jointly raise more than 700 million yuan in funds and drew in more than 100 million yuan from departments concerned both inside and outside Sichuan Province, thereby energetically accelerating the development of township and town enterprises.

In vigorously developing township and town enterprises, Sichuan Province has paid much attention to utilizing the rich local resources, giving full play to the advantages of resources and actively developing marketable new products much needed in the market. At present, Sichuan's township and town enterprises have achieved notable results in concentrating on the development of products of the three mainstays: the food-processing, farm produce, and sideline products industries, the energy and mineral products industry, and the building materials industry. The output value yielded by the products

from these three mainstay industries accounted for approximately 70 percent of the gross output value. More than 10 products, including canned goods and QU [2575] wine produced and brewed by the township and town enterprises won national and provincial titles for fine-quality products. Other products such as raw silk, glass fiber reinforced cooling towers and textile fittings are also being sold overseas.

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CONSTRUCTION

ADJUSTING INVESTMENT SCALE OF CAPITAL CONSTRUCTION

Hefei ANHUI RIBAO in Chinese 19 Oct 85 p 1

[Article by Chen Shengjie [7115 5110 2638], deputy director of the Provincial Capital Construction Economic Research Association: "Resolutely Control Investment Scale of Capital Construction"]

[Text] Capital construction should be suited to the national strength, only then can economic construction steadily develop in accordance with planned and proportionate socialist economic laws. In the last few years, the investment scale of capital construction in some areas of Anhui has been excessively large, especially the large increase in foreign investment, domestic loans, and funds raised by the areas on their own. For instance, from January to August of this year, foreign investment in projects was 1.8-fold higher than the same period last year and the funds and scope of capital construction for some areas has tended to get out of hand.

This excessive investment scale of capital construction has brought about harmful results. Looking at the overall situation of Anhui's capital construction for the period of January to August, the main indicators of investment results have all dropped in comparison to the same period last year: The proportion of construction projects that went into operation last year was 10.7 percent, this figure dropped to 8.9 percent this year; the completion rate of building construction has dropped to 12.7 percent from 16.9 percent during the same period last year; and the proportion of fixed assets that were made available dropped to 11.3 percent from 12.9 percent. Due to capital construction developing in all areas, going forward on all fronts, its structure becoming too large, and its manpower, financial resources, and material being scattered has led to the completion of some key projects not being guaranteed and rate of progress of projects being slowed. During the first 8 months of this year, Anhui had five key projects that achieved less than 40 percent of the progress planned for the year. The planned construction capacity for local construction projects was insufficient and management was unable to keep abreast, leading to the quality of projects in some areas being crude and inferior, with some areas having to do work over or replace construction with new work. There is a connection between this wasteful construction and the investment scale of capital construction being excessively large.

With this large-scale capital construction, the supply of building materials cannot keep up, there is a shortage of important materials, such as reinforcing rods and concrete. Work has stopped on many projects while they wait for materials, leaving projects started that cannot be completed. This has even created instability in economic life and battered the plan for the national economy, bringing about serious political and economic losses that are not conducive to conducting reform in a smooth manner.

The reason for the excessively large scale of capital construction is that it was not handled according to objective economic law. Some units lack an overall sense of responsibility and scientific approach, they go about construction in a blind, rushed, and repetitive way. Units even compete with each other concerning the scope and speed of construction, which causes the investment scale to lose contact with objective reality.

In order to set a quality standard for building projects, to raise results from investment, and to guarantee smooth reform of the economic system, we must resolutely control the investment scale of capital construction. Controlling the investment scale is not done with expedient or stop-and-go methods but is a problem of economic construction that demands attention for a long time.

In controlling the investment scale of capital construction, we must correct the erroneous thinking of being impatient for success and eager for instant benefit, clarify the relationship between present and future, and the relationship between the local and the overall situation. All construction projects must be in keeping with the overall needs of socialist economic construction and must be beneficial to promoting reform of the economic system. When starting a project we should conduct scientific feasibility studies from the high plane of economic and social benefit and the aspects of direction of development, development prospects. short- and long-term economic benefits, and whether or not the overall arrangement is reasonable. Important projects must not be started arbitrarily without having a feasibility study done first.

Capital construction should adhere to the principle of doing what one is capable of so that society's needs and provisions can be fulfilled and so that both subjective desires and objective reality can be dealt with. We should also reserve a certain margin and do things in order of importance. Projects that are not urgent should not be started, projects that can be put off for the time being should be delayed, and the investment scale should be reduced when possible.

We should carry out inspection and revision of projects that are waiting to be started and those currently under construction. Resolute measures must be taken against projects that were started blindly, involve large investment, long construction time, poor results, and are duplicative. Projects that should be stopped are to be stopped, and projects that should be delayed are to be delayed.

Looking at the situation in Anhui, to control the investment scale of capital construction, the amount of investment loans must be reduced and grants must

be based on feasibility studies so the size of the investment scale can be checked at the channels for funds.

Capital construction procedures should be followed strictly, and a good job should be done, especially in preparatory work, during the early stages of a key project. Work should not be started hastily before preparatory work in the early stages is completed. Investment funds raised by enterprises for capital construction should be controlled and managed appropriately, and not all the funds are to be used for capital construction. Correctly handling relations between the state and collectives and enterprises will cause construction and production to have synchronized development.

We should persist in carrying out reform of capital construction, work hard at invigorating areas where it is needed, have rigid management where called for, and strive to have capital construction be well matched to China's economic strength. This will enable the national economy to have long-term healthy development in a planned and proportionate manner.

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CHINA ADVANCES IN CAPITAL CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 6 Dec 85 p 1

[Article: "Over 450 Large and Medium-Sized Projects Completed in 5 Years"]

[Text] Statistical data released by the State Planning Commission show that as a result of the accelerated progress made in capital construction during the Sixth 5-Year Plan period, China has significantly increased its economic strength.

According to preliminary estimates, the work volume of capital construction projects completed by units owned by the whole people during the Sixth 5-Year Plan period was over 40 percent greater than that of the preceding period. As a whole, more than 450 large and medium-sized projects and over 750 single projects were completed and became operational. The utilization rate of fixed assets was raised from 74.6 percent during the Fifth 5-Year Plan period to 76.3 percent; with the completion and start-up rate of large and medium-sized projects rising from 7.4 percent to 10.9 percent. The rate of completed housing areas increased from 49.8 percent to 51 percent. During the Sixth 5-Year Plan period, key construction projects such as energy, transportation, raw and semifinished materials, etc., were strengthened. These include newly installed generating capacity of 19.61 million kW, up by 6.71 million kW over the target set by the Sixth 5-Year Plan. Likewise, the newly increased output of crude oil was 44.92 million tons, up by 9.96 million tons over the target set by the Sixth 5-Year Plan while the newly increased output of raw coal reached 84.66 million tons. The total length of newly constructed railroads, double-track rail lines, and electrified railroads was 1,695 kilometers, 1,700 kilometers, and 2,325 kilometers respectively. The newly increased volume of freight handled by coastal ports was 100 million tons. Productivity also rose in the manufacture of iron, steel, nonferrous metals, petrochemical products, building materials, etc. In scientific research, culture, education, public health, housing for workers, public facilities in cities, etc., there was evidence of growth. The completion of 400 million square meters of housing for urban dwellers showed an increase of 17 million square meters over the Fifth 5-Year Plan period.

The development of the building industry in China during the Sixth 5-Year Plan was equally rapid. It is estimated that during this period the output value of completed projects will be over 3.2 billion yuan, exceeding the

plan target by 53 percent. Construction acreage of various types of buildings to be completed will be 920 million square meters, a rise of 32 percent.

During the Sixth 5-Year Plan period the building industry was also active in opening up foreign markets. As a result, China has successively signed contracts for building projects and labor and service cooperation with over 60 countries and regions. The total amount of the contracts was $4.26 billion.

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CONSTRUCTION

GUANGDONG PROVINCE EXPANDS NON-FERROUS METAL PRODUCTION

HK050338 Beijing CHINA DAILY in English 5 Mar 86 p 2

[Article by staff reporter Zhang Chuxiong]

[Text] Guangzhou--Guangdong Province has been building export-oriented non-ferrous metals production and processing bases with state aid, said Yang Xiaoguang, president of China National Non-Ferrous Metals Import and Export Corporation Guangdong Branch (CNNFIEG).

The province has rich natural resources of more than 30 kinds of non-ferrous metals. The workable reserves of ilmenite ore, zircon and tellurium rank first, with lead, niobium, tantalum, bismuth, silver, manazite, ythrium ore, germanium and thallium second; zinc and cadmium, third; tin fourth and tungsten fifth in the country. Cobalt reserves on Hainan Island are the richest in Asia, Yang told CHINA DAILY.

CNNFIEG is an integrated trade-industry-technology company and has been exporting some 64 kinds of non-ferrous metals not only for Guangdong Province, but also for Hunan, Yunnan, Guizhou, Sichuan Provinces and Guangxi Zhuang Autonomous Region, worth over $20 million a year, Yang said.

To meet the ever-increasing demand in domestic and world markets, about 300 million yuan ($100 million) has been invested in building a lead and zinc production base which is still under construction, a lead and zinc mine with an annual capacity of 120,000 tons has been built and a plant capable of smelting 50,000 tons of the metals a year is now in operation. In the next few years, the mine and smeltery will be expanded to have an annual capacity of 150,000 tons and 75,000-100,000 tons respectively.

Some 70 million yuan is being used to build a rare earth production base which has now an annual capacity of 500 tons of various rare earth elements and will soon be expanded to 150,000 tons a year, Yang said.

The construction of a copper and aluminium processing base with an annual processing capacity of 120,000 tons of copper and aluminium will soon start at a cost of about 600 million yuan.

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CONSTRUCTION

ADVANTAGES OF CONCRETE BLOCK OUTLINED

Beijing JINGJI RIBAO in Chinese 18 Nov 85 p 3

[Article by Wu Jiarong [0702 4471 2837]: "Advantages of Using Concrete Block as Building Material"]

[Text] Based on calculations from concerned departments, during the next 10 to 20 years China will build over 2.5 billion square meters of dwellings in cities and towns, and more than 12 billion square meters of buildings in rural areas. In addition to this, structures will also be built for industrial, public, and educational use. Regardless of whether in the cities or rural areas, the problem of building-material supply should be promptly resolved. Currently, nationwide over 90 percent of buildings are constructed with solid clay bricks. Annual production totals 160 billion bricks, of which 75 percent are fired in rural commune and brigade kilns. Rural areas taking soil to make bricks has caused a large amount of cultivated land to be ruined, and because large amounts of coal are consumed firing brick, the cost of coal has risen, which has led to an increase in the price of brick ad higher construction costs. Faced with these conditions, how to go about improving building materials has become an extremely urgent problem. Developing the production of concrete block is a fairly ideal way to improve building materials.

Some countries in Europe and America have been using concrete block in construction for over 100 years. Currently, in these countries concrete block accounts for 70 to 80 percent of the building material used for wall construction. Concrete blocks are strong, have many different slots, a smooth surface, beautiful colors, and several hundred types, therefore, they can be used in many variations for building construction that is artistic and tasteful.

Looking at the conditions of China, using concrete block in place of solid clay brick has the following advantages:

1. It will save farmland. It is estimated that using clay to make bricks in flatland areas ruins 1 mu of land for every 2 million bricks made. In cultivated areas of the southwest where the layer of topsoil is thin, one mu of land is ruined for every 200,000 bricks made. By using concrete block as building material, around 150,000 mu of land can be saved each year.

2. It will conserve energy. According to statistics, the amount of coal consumed to make a square meter of #24 clay brick wall is 3.14 times as much as is needed if concrete block is used. Calculated on the production of 1 billion concrete bricks, this would conserve 1.3 million tons of coal (standard coal).

3. It would be beneficial in handling waste residue. Thermal power plants throughout China create 40 million tons of coal ash annually, this ash is the main raw material needed to manufacture concrete brick. Using this ash and waste from other industries for the manufacture of concrete brick would turn waste into something needed and remove pollutants.

4. It can lower the cost of construction building and reduce construction time. In comparing structures built using concrete block and those built with clay brick, the former's construction labor efficiency is 33 percent higher than the latter. This can reduce labor wages during construction by 49.2 percent and reduce construction time by one-third.

5. Investment for concrete block factories is small, the startup time quick, and the overall economic benefits are high. Building an automated production concrete-block factory only requires about one-fourth the investment that is required for building an equivalent sized concrete plate factory.

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CONSTRUCTION

DEEPWATER BERTHS OPENED AT ZHENJIANG'S DAGANG

Nanjing XINHUA RIBAO in Chinese 1 Dec 85 p 1

[Article by Zhang Jibin [1728 4949 2430] and Lin Jingshan [2651 0079 1472]: "Four Deepwater, 10,000-Ton-Class Berths at Zhenjiang's Dagang Have Passed National Standards"]

[Text] The first phase in harbor construction Zhenjian'g Dagang has been completed ahead of schedule, and yesterday it was declared to have passed national standards. Now the long Chiang Jinag has another moderized deep-water harbor.

Harbor construction at Dagang has been facilitated by a number of favorable conditions. This site is at a concave bank along the southern side of the Chiang Jiang where the river twists slightly. The shoreline is stable, straight, and extends 5 km. The river is broad, deep, and flow is slow. The deepwater channel is more than 10 meters deep and is 1.2 km wide. Also, the harbor site is located at the convergence of two important waterways, the Chiang Jiang and the Nanjing-Hangzhou segment of the Grand Canal. It is extremely convenient to transport goods by sea, river, canal, and land. Boats need travel only 260 km east to enter the sea at Wusong. By traveling upriver, they can reach Anhui, Jiangxi, Hubei, Hunan, Sichuan, and other provinces. By traveling 9 and 22 km to the west, boats can reach south and north entrances, respectively, to the Grand Canal. The Lixia He, Haui He, Hongze Hu, Tai Hu, and other waterway systems can be formed into one extensive water transport system with Dagang at the hub.

The Dagang Harbor project is one of the state's large- and medium-scale construction projects. It includes four 10,000-ton-class deepwater berths, a 2,000-ton floating dry dock, seven piers for transferring goods to and from internal waterways, a large 11,000-square-meter parts warehouse, a 2,000-square-meter granary, a 130,000-square-meter storage yard, and water, electricity, and communications facilities. There will also be complete installation of environmental protection equipment, loading and unloading machinery, and work boats for the harbor area. Total investment is 100,430,000 yuan. The deepwater berths are planned with an annual inbound and outbound freight capacity of 2.36 million tons.

Since 1982, when work on the project was resumed, progress has been rapid. In April this year, the first and second berths were finished ahead of schedule and put into trial use. Up until the end of this month, eight 10,000-ton freighters had been berthed (among which was an international cruise ship), and a number of loads of iron ore, coal, cars, and other goods had been loaded and unloaded.

The Dagang Harbor project, upon completion will be a part of the harbor complex formed with the Nantong, Zhangjia, and Nanjing harbors. It will help stimulate the domestic economy and open up China to the international economy. It will help the development of Subei and the further development of Sunan. And it will play an important role in the prosperous expansion of economic zones in Shanghai and in the provinces along the Chiang Jiang.

Yesterday afternoon, responsible comrades from the provincial government and the Zhenjiang City government, along with experts and technical personnel, participated in a ceremony marking the completion of the project and watched actual loading and unloading at the dock.

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CONSTRUCTION

TIANJIN REPLACES TEMPORARY SHEDS WITH MODERN RESIDENCES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Dec 85 p 3

[Article: "Sixteen Million Square Meters of Housing Constructed in Tianjin During Past 4 Years"]

[Text] According the TIANJIN RIBAO, in the past there were thatched sheds strewn at random, and today there are high rise buildings packed as close as teeth on a comb. Architecture within Tianjin, the old hometown, has undergone a tremendous transformation. This is the strong impression one has of how outsiders and long-time Tianjin residents have accomplished so much in dismantling the sheds and in constructing buildings. In the past 4 years, more than 16.9 million square meters of new housing has been built, like bamboo shoots sprouting after a spring shower. This has added new color and diversity to the old city, and the living conditions of the city's residents have clearly improved.

The construction of new districts and the reconstruction of older districts have been linked together. In 1976, Tianjin was struck by an extremely strong earthquake. There was severe destruction of every kind of residence. After this, all kinds of temporary sheds were erected along every road and lane. The municipal party committee and government accorded residential construction high priority, and the improvement of the residents' living conditions occupied first place. In 1981, large-scale work was begun throughout the city in dismantling the sheds and constructing buildings. During the past 4 years, more than 20 new residential districts have been built or are currently being built. At the same time, more than 400 old districts within the city have been reconstructed. This includes more than 50 small places which have more than 10,000 square meters of housing.

The architectural patterns are diverse. Beginning in 1981, residential housing has shifted from scattered buildings to buildings sited along streets, from 3 to 4 storied buildings to multi-storied buildings and to high-rises. The new architecture also departs from the monotonous straight, even lines of the past and instead pays attention to varying the heights of buildings, including dispersed and clustered styles. Formerly, parks were placed in the midst of buildings to improve the scenery, but now buildings are placed in the midst of parks to provide housing. Formerly, residential complexes lacked complete amenities and services, but now there are food shops and recreational facilities.

Architectural styles express the unique characteristics of a locality, with richly varying colors that range from the simple and elegant to the vivid and beautiful. This has changed the unvarying drab styles of the past.

The interior features in the residences have been continuously improved. The high-rise residential buildings are equipped with elevators, gas, and central heating. In addition, the typical building usually features closets, sit-down toilets, and some also have sinks and bath water jars. There are also centralized antenna systems for entire buildings. Electrical lines, which used to be unconcealed, now are concealed, and more electrical outlets have been added. Many residential units are for single families, built as single-, double-, and triple-units. Many units have a multifunction room. In the new residences, virtually every family has a sun porch, and those who live on the ground floor have a courtyard. New soundproof, insulated walls built with wood boards and insulated steel-framed windows are widely used in residential construction.

The buildings have been financed by investments from many sources. Residences have been commercialized. During the past 4 years, many channels have been used to raise funds in Tianjin, opening up sources of finance for residential construction that have made up for inadequate funds. The adoption of the policy of "donating land for building residences" and the use of a centralized plan have solved the problem of land use and facilitated the construction of residences. There have been a number of projects that have been finished and into which families have moved in the same year that construction had begun. At the same time, the commercialization of residences has been actively promoted. Total development has begun experimentally, and newly built residences have been sold to work units, and with the help of subsidies sold to individuals, too. The money that is collected is then used to build new residences, thus realizing a positive kind of circulation of residential construction funds. Under conditions where the city's population has been steadily increasing, the average amount of housing space per capita has steadily increased. Currently, the average per capita has reached 7 square meters.

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FOREIGN TRADE AND INVESTMENT

ECONOMICALLY AUTONOMOUS CITIES SET RECORD IN 1985

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 22 Dec 85 p 3

[Article: "Seven Economically Autonomous Cities Achieve Record Foreign Exchange Earnings in 1985"]

[Text] By using foreign trade to invigorate their economy, most of the seven economically autonomous key cities in the nation achieved record foreign exchange earnings in 1985.

Previsouly denied the power to engage in import and export operations, the seven economically autonomous cities of Guangzhou, Wuhan, Chongqing, Xi'an, Luda, Shenyang and Harbin merely engaged in the purchasing of export commodities in their provinces so that their import and export operations had never developed to any extent. During the last 2 or 3 years, however, they were established one by one as ports empowered to engage directly in import and export operations with foreign countries. Although they had to make a start in economic operations almost from scratch, a new situation cam about in short order. Since its adoption of measures to take a united stand in dealing with foreigners, to expand the volume of exports, and to encourage the production of export commodities,Chongqing has greatly increased its yearly foreign exchange earnings. Export earnings in 1984 showed an increase of 120 percent compared to 1983, while those in 1985 are expected to exceed the 1984 figure by 60 percent.

A common difficulty encountered by these cities is the few new affluent households. They had to resort to various means of advertising to make known the varieties, quality, and performance of their export commodities to attract foreign clients and to improve the quality of their products to win over their customers. This year, those in leadership positions in the Wuhan Economic and Trade Commission took the lead in organizing 10 groups of their staff workers to visit the grassroot units of the various specialized foreign trade companies to help them resolve various problems in their export operations and to stres the need to improve the quality of their products, to develop new product varieties, and to win over their clients and markets by improving their prestige and workstyle. Wuhan has now established relations with almost 1,000 foreign businesses and clients. Although established as a port only this year, it has already achieved notable results. By the end of November, its export transactions had exceeded $600 million.

To overcome the handicap of having little experience as trading ports, these economically autonomous cities have established various types of cooperation, such as the division of labor with old trading ports. Within a short period of time, they have acquired the ability to operate on their own, to provide training to a group of operational personnel, and to establish a foreign trade system to enable them to cope with their tasks.

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SHANGHAI PLANS TO BOOST EXPORT VOLUME IN 1986

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Jan 86 p 1

[Article: "Shanghai Adopts New Measures To Increase Export Trade in 1986"]

[Text] Zhuang Yulin [5445 3768 7792], deputy director of the Shanghai Foreign Economic Relations and Trade Commission, revealed that Shanghai's export quota for 1986 will exceed last year's figure by 9.4 percent.

The statement was made sometime ago by Zhuang Yulin at a meeting of the Shanghai municipal government on foreign trade operations.

It has been learned that strategic measures had been formulated at the meeting for Shanghai to enlarge its export volume during the Seventh 5-Year Plan period (1986-1990). These measures include the consolidation of the traditional market in Hong Kong and Macao, the expansion of the market in Latin America and Africa, the promotion of closer cooperation among the communication and transportation departments, and the achievement of greater efficiency in the transportation of export commodities.

He stated that Shanghai was well aware of the fact that the extent and the speed at which the open door policy can be implemented depended on its ability to increase its exports and foreign exchange earnings at an early date.

In 1985, Shanghai was able to fulfill its import quota of $3.3 billion set by the state. This quota, however, represented an actual decrease of $200 million compared to 1984.

Since Shanghai achieved its export record of $4.27 billion in 1980, its export volume has been at a standstill for 5 consecutive years. For the last 3 years, its exports have hovered around $2.8 billion. In the first half of 1985, difficulty was encountered by Shanghai in fulfilling its export quota. Thereupon, timely measures were adopted by the Shanghai municipal government to encourage exports with the result that export volume showed a monthly increase during the last half of the year.

It has been pointed out by economic experts that an adequate amount of foreign exchange income is crucial to the industrial development of Shanghai,

which accounts for one-ninth of the GUIO in the nation. For instance, the technical reform of the old enterprises requires the import of more advanced technologies from abroad, while the basic installations in Shanghai also stand in need of large amounts of foreign capital.

Zhuang Yulin said that in 1986, Shanghai will make a start in establishing a number of factories for the production of export industrial products as well as bases for the production of subsidiary agricultural products for export and that it will direct its efforts toward the production of commodities to meet international market demands and the improvement of the quality of its products.

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FOREIGN TRADE AND INVESTMENT

FUJIAN TOWNSHIP, TOWN ENTERPRISES VIGOROUSLY DEVELOP EXPORTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 22 Dec 85 p 3

[Article: "Township and Town Enterprises in Fujian Develop Exports in Aggressive Manner"]

[Text] As a result of engaging vigorously in the production of export products, the township and town enterpises in Fujian Province were able to export products valued at almost $200 million, or one-fifth of the total for the province, during 1985. Since the adoption of special policies and flexible measures by the province, its township and town enterpises have been developing at a rapid rate. There are now 170,000 township and town enterprises in the province employing 2 million people. These enterprises earned a record 7 billion yuan in 1985, or 3 billion over the amount for last year.

The major township and town enterprises in Fujian are industrial, construction, agricultural, commercial services and communication and transportation enterprises. Keeping an eye on international market demands, these enterprises are taking advantage of their abundant natural resources from the mountains and the sea to develop the production of export commodities. Major exports include domestic livestock, handicraft articles, light industry products, grain, and oil. The enterprises processing dried bamboo shoots in the various bamboo-producing rural areas in Sanming City, availing themselves of their abundant bamboo resources, produced the highly-valued "Yulanpian" brand of bamboo shoots which earned over $90,000 during the year. Taking advantage of their proximity to the sea, such coastal counties as Lianjiang and Pingtan are engaged in the cultivation of laver. A contract was signed this year with clients from Hong Kong. Up to now, 40 tons of laver valued at $100,000 has been exported. Fuzhou, knows as the home of the jasmine, is engaged in the development of potted jasmines in response to Hong Kong market demands. It ha signed an agreement with the Binfen Horticultural Co. in Hong Kong to export 200,000 pots of jasmine valued at $260,000.

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FOREIGN TRADE AND INVESTMENT

SHANGHAI, JIANGSU, ZHEJIANG PROMOTE DRAWNWORK EXPORTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Jan 86 p 1

[Article: "Jiangsu, Zhejiang, and Shanghai Achieve Notable Results by Engaging in Joint Operations To Promote Drawnwork Exports"]

[Text] By taking a united stand in dealing with foreigners and establishing a joint company to promote drawnwork exports, the two provinces of Jiangsu and Zhejiang and the city of Shanghai have achieved notable results, gained valuable experience in the reform of the foreign trade structure, and proved the efficacy of transprovincial joint foreign trade operations.

Due to administrative demarcations in the past, the various provinces and cities tended to do things their own way in the field of foreign trade, to develop blindly, and to compete among themselves. As a result, the pricing of drawnwork products was confused, stockpiles mounted and profits were reduced. The year 1983 witnessed a sharp drop in foreign exchange earnings. To reverse the unfavorable situation without delay, the two provinces of Jiangsu and Zhejiang and the city of Shanghai, having decided to take a united stand in dealing with foreigners, established a company under the auspices of the Ministry of Foreign Economic Relations and Trade to engage jointly in export operations in early 1984. This company is a joint economic entity with independent accounting.

The establishment of the joint company has created favorable conditions for taking a united stand in dealing with foreigners and brought about a notably higher degree of economic effectiveness. During 1984, there was a large drop in the amount of goods held in stock and in the cost of earning foreign exchange and a 100 percent increase in the fulfillment of contract obligations. In 1985, not only was the export quota successfully fulfilled, but there was a further drop in the amount of goods held in stock and a reduction in expenditures and costs. Ranking first in economic effectiveness among businesses in the same trade, this company is held in high regard by foreign clients who appreciate the convenince of and have confidence in verbal commitments. The uniformity of prices has also stopped up a loophole for speculative traders.

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LABOR AND WAGES

WAGE REFORM IN STATE-OWNED ENTERPRISES DISCUSSED

Guangzhou GUANGZHOU YANJIU [STUDIES ON GUANGZHOU] in Chinese No 1, 85 pp 24-27

[Article by Wang Ju [3769 3818] of the Department of Economics of Zhongshan University: "A Preliminary Discussion of the Ideas Behind Wage Reform in China's State-Owned Enterprises and Their Theoretical Foundation"]

[Text] [Editor's note] Proceeding from the basis that the distribution system must conform to China's realities and favor the goal of promoting production development, this article proposes the idea of changing from "low wages and high subsidies" to "higher wages and fewer subsidies," changing from the one level management system by the state to a two-level management system by the state and enterprise, with the enterprise as the key, and changing from fixed wages to structural wages. A theoretical explanation was conducted on this idea. [End of editor's note]

The existing wage system in China was basically formulated in 1956. Its characteristics were: A unitary form of wage distribution; direct control by the state over wage management and decision making; and the implementation of the wage distribution policy of low wages and high subsidies. At the time, this wage system played a definite and positive role in stabilizing the people's livelihood. With the continuous development of China's national economy, in particular since the 3d Plenum of the 11th CPC Central Committee, a commodity economy has developed to a great extent in China's countryside, cities and towns. The shortcomings of the above wage system have thus become obvious. To solve these shortcomings, we cannot simply revise and patch up the former wage system. A thorough reform is necessary. Furthermore, to carry out the wage reform, we must first of all determine the fundamental principles of the wage reform.

I. Wage Reform in China's State-owned Enterprises Should Observe Two Fundamental Principles

The first principle of wage system reform is that the distribution system must promote development of production.

As everyone knows, production determines distribution, and the quantity of products produced determines the amount of distribution. Whether it is the state, the enterprise or the individual staff member or worker, the only path

to obtaining more income is to accelerate production development. The economic development of a country and the profit of an enterprise are both the result of the labor of every staff member and worker. Thus, the enthusiasm of the laborer is a basic factor for developing production. Under existing conditions, the basic measure to mobilize the enthusiasm of the staff members and workers is to link the material interest of the staff members and workers with the results of their labor. Therefore, the problems to be resolved in the distribution link are what form of link to adopt and how to determine the criteria for linking material interest and labor results. Combining the two aspects properly, distribution can enable staff and workers to maintain higher labor enthusiasm for a long period of time, which will in turn promote production development. Failing to combine the two aspects properly, distribution will fail to play the role of mobilizing the enthusiasm of the staff members and workers, and will in turn fail to develop production smoothly. Distribution then will play a negative role in production. The same amount of distribution but different specific forms of distribution will play different roles in encouraging staff and workers, which will produce different results in the course of production. The form of distribution which can promote production development is rational and positive, while the form of distribution which cannot promote production development is irrational and must be reformed. Currently, the wage reform involves reforming the former irrational form of wage distribution and selecting a form of distribution that is most favorable to production development.

The second principle is to proceed from Chinese realities.

Distribution according to work is the fundamental principle of the distribution of individual consumer products under socialism. According to Marx, distribution according to work must embody the following economic factors: (A) The entire society has a unitary system of ownership, that is an integrated body of free people, and does not have any other systems of ownership. (B) There are no commodities and currencies, the labor of the individual directly becomes a part of social labor, and the labor time directly represents the amount of labor of each individual. (C) Only a two-level relationship of interest exists, that is, the society and the individual. The enterprise is only an administrative subordinating organization without its independent economic interest. The economic factors of China at this stage, however, are qute different from Marx's concept. They are manifested in: (A) The existence of diverse economic components. We not only have the system of state ownership and the system of collective ownership, but also such economic components as the individual economy and state capitalism. (B) Within the system of state ownership there exist not two but three main bodies of interest, in which the enterprise exists as a major body of economic interest participating in socioeconomic activities. (C) At the present stage, a commodity economy not only exists in our country, but will also develop to a relatively great extent for a considerable period of time in the future. Due to the differences in social factors, we cannot copy the form of realization and the means of management of distribution according to work which Marx conceived, but should proceed from the realitis of China.

How should we conduct the reform of the system of wage distribution in integration with the reality of our country? I feel that we must at least

accomplish the following points: First, we should have different wage distribution criteria for different systems of ownership. The state must implement differential management in the wage distribution within a system of ownership. This differential management is primarily a management with economic measures. Second, within the system of state ownership, the enterprise should be regarded as the central link in the specific distribution of wages. Third, distribution according to work is realized in a commodity economy and not in a product economy. After the staff members and workers receive their monetary waages, they must exchange for the products which they need on the market. Thus, the changes of commodity prices directly influence the purchasing power of staff and workers using their monetary wages. This thus links wages with prices.

In light of the above two principles, I feel that, at the present stage, the reform of the wage system in China's state-owned enterprises should include the following three major areas: (1) Reform the distribution policy for the consumption fund by increasing the percentage of wages in the income of the staff members and workers and correspondingly reducing their subsidies. Change low wages and high subsidies to higher wages and fewer subsidies. (2) We should change the one-level centralized system of managing wage distribution by the state to a two-level system of joint management by the state and enterprise, with the enterprise as the key. (3) Change the unitary form of fixed wage distribution into a discrete of structural wage distribution. The following is a specific explanation of each area.

II. Reduce the Percentage of Subsidies in Staff and Worker Income and Correspondingly Increase the Percentage of Wage Distribution

Currently, the revenue of our state treasury totals roughly 120 to 130 billion yuan per year. Of this, over 30 billion yuan are used in price subsidies, constituting roughly 30 percent of our financial revenue. In 1983, the state treasury spent 34.2 billion yuan in price subsidies. Together with other kinds of subsidies, such as housing, water, electricity, transportation, grain difference, vegetables and nonstaple foodstuffs, the total was higher than the wage bill of staff and workers of the state-owned enterprises throughout the country.

The distribution policy of low wages and high subsidies embodies two shortcomings: First, it is an egalitarian distribution policy. Regardless of the type of work and the extent of labor contribution, subsidy means everyone has a share. The higher the percentage of subsidies in the income of the staff members and workers, the smaller the percentage of differential distribution according to the extent of labor contribution. Therefore, we will have difficulty widening the wage gap and encourage the laborers to make greater contributions. Second, this policy is inconsistent with the policy of opening to the outside world. Since opening to the outside world, foreign businessmen have come to China to invest in factories and carry out joint ventures. In this category of enterprises, the staff members and workers obtain their wages by means of labor service. The fee for labor service includes all kinds of subsidies. If we continue to implement the distribution policy of low wages and high subsidies, then the staff and workers of this category of enterprises will not only enjoy the price subsidies of the state,

but will also receive wages which include all kinds of subsidies. This will give rise to a wide wage difference between the staff and workers of the domestic enterprises and those in the foreign enterprises. If the state deducts a portion from the labor service fee in order to narrow the wage gap between the two categories of enterprises, then not only will the foreign businessmen fail to comprehend the situation, but the staff and workers who work in the foreign enterprises will be dissatisfied also.

At the present stage, to change from low wages and high subsidies to higher wages and fewer subsidies, with the exception of retaining the state-stipulated professional allowance for occupational hazard, all other kinds of overt and covert subsidies should be eliminated gradually and transformed into wage payments. For instance, such subsidies as water, electricity, gas, transportation, housing, grain and vegetables can correspondingly be added to wages, which then will be linked with prices and will fluctuate with price changes.

Theoretically, this approach has two advantages. First, simple consumption subsidies can only prevent the lowering of staff and worker living standards. However, if these subsidies are added to wages, then, in addition to playing the role of subsidies, they can also stimulate staff and worker enthusiasm. Playing two roles instead of one, distribution certainly is more favorable to promoting production development. Reducing subsidies and correspondingly increasing wage distribution involve only a change in the form of distribution. The effect on production is nevertheless quite different. Second, this approach conduces to allowing product prices to reflect their true value. The implementation of price subsidies is in reality a redistribution of the distribution of wages. This has confused the boundary between V and M. Longstanding price subsidies have caused the prices of many products to be divorced from their value. This hinders enterprises in calculating cost, organizing business, and managing production according to the law of commodity economy. Transferring subsidies over to wages, we not only can calculate truthfully the cost of wages but can also fix the prices of products according to their value, which will in turn help resolve the irrational phenomenon of price parities among products.

III. Change the One-Level Centralized System of Managing Distribution by the State to a Two-Level System of Joint Management by the State and Enterprise, With the Enterprise as the Key

Like the economic system of management in other realms, the system of managing wage distribution in China involves centralized management by the state. For instance, the state stipulates unified wage criteria, wage classification and specific forms of distribution, as well as a unified promotion schedule and proportion. This centralized management system will lead to the following shortcomings: First, it has neglected the role of the enterprise in the distribution of staff and worker income. Under the terms of a commodity economy, the enterprise is the basic unit which carries out socioeconomic activities. It should have the power and responsibility to determine distribution among staff and workers in accordance with its autonomous operation. If the enterprise does not have this power, it will then fail to conform to the objective needs of the development of a commodity economy, will

lack vitality, and will fail to become an independent commodity producer. Second, it is detrimental to mobilizing staff and worker enthusiasm. Since the state cannot accurately master the labor conditions of each staff member and worker, it can only use "one method for all" in distribution. Consequently, it makes no difference whether or not one performs his job well. Labor is divorced from remuneration. In view of the principle of management, the enterprise is the closest management organization and level to the labor process of staff and workers, and can most accurately master the production progress and completion of quotas of each staff member and worker. The enterprise itself therefore has the greatest right to speak in terms of the distribution among staff members and workers. In this respect, in determining and implementing the distribution of staff and workers of an enterprise, the enterprise can represent the labor differences of each staff member and worker more accurately than the state can. Thus, the change from the one-level system of distribution with centralized state management as the key to a two-level system of distribution with joint management by the state and enterprise and enterprise management of distribution for the staff and workers as the key, constitutes major significance.

Can the specific methods be conceived as follows? After delivering the taxes and profits to the state, the enterprise will, in light of the increase in taxes and profits, retain a definite percentage of funds as the wage bill, which will be distributed according to the wage classification and criteria determined by the enterprise. In controlling the increase of the wage bill of an enterprise, the state should not adopt the method of putting an administrative ceiling, but should first of all stipulate the wage content of a unit product or the percentage of the wage content per every 100 yuan of value. If the wage fund retained by the enterprise exceeds this percentage, then regulation will be carried out on the basis of a definite progressive wage tax. Thus, wage management with the enterprise as the key is not equivalent to abandoning the state's control over the wage bill of the enterprise, but to changing from management with administrative control as the key to management with economic regulation as the key, as well as to changing from the method of control with a ceiling to control over the proportion between wage and profit increase.

IV. Change from the Unitary Form of Fixed Wage Distribution to the Discrete Form of Structural Wage Distribution

Currently, the form of wage distribution of China's state-owned enterprises is basically a unitary structure with fixed wages as the main body. Fixed wages are a one-time distribution stipulated by the state. After more than 20 years of practice, people have clearly recognized the inadequacy of this form of distribution. Fixed wages lack flexibility and fail to let wages change according to the alteration of a certain element. Second, in determining wage distribution, it is difficult to use fixed wages to assess the major indices. Consequently, in appraising wages, oftentimes the secondary indices become the primary basis for promotion. Third, in adopting fixed wages, all the elements must be considered in the promotion of each staff member and worker. Not qualifying in one element makes promotion difficult. In appraising wages, oftentimes each sticks to his own stand and refuses to give in. This will affect staff and worker unity and enthusiasm and will increase the burden of

enterprise management personnel. This not only will fail to play the role of promoting production, but will hinder production development. Comparing the two forms, structural wage distribution has more advantages than fixed wage distribution:

First, breaking down wages into several parts, each part corresponds to a certain element or several elements. A change in any one element will only influence the income of that related part and not the rest of the wages. For instance, the change in the job of a staff member or worker will only affect the amount of the wages for the job, but will not affect the changes in the basic wage or floating wage. Second, when the wage of a staff member or worker has changed, he will also know clearly the reason for the change. For instance, a certain staff member or worker fails to have full attendance within 6 months, which affects the product output which he has to fulfill. In this instance, his portion of the wages that is related to attendence and the individual fulfillment of product quota will be reduced. This way, he will not feel that the deduction of this portion of his wages is unreasonable. Third, this can increase the accuracy of various indices. Assessing each index separately, and carrying out distribution according to the changes of the indices of each factor, we will cut out the procedure of having to put the indices together for unified appraisal. We will save time and reduce the mistakes in the assessment of the indices of the factors and in turn increase the accuracy in the assessment of each index. Fourth, in accordance to the different roles played by the various indices in production development, we can determine the proportion in the distribution of wages. For instance, individual labor results is the most primary index, in which case the wage, which is determined by this index, should constitute a larger proportion of staff and worker incomes.

How should we classify wages? Wages in state-owned enterprises at the present stage should be best broken down into four parts: basic wage, job wage, seniority subsidy, and floating wage.

Basic wage guarantees the basic daily needs of staff and workers. It is determined by reproduction expenses of the labor force, educational expenses, and the necessary expenses for maintaining a household. The specific indices are the per capita basic livelihood expenses, academic qualification, and number of dependents. The primary difference in basic wages is in the academic qualification. This is a major index that realizes the difference between simple labor and complex labor. The change in basic wages is primarily determined by the level and speed of the development of the productive forces in the entire society. It is also affected by price change. Thus, basic wages must be linked with production and prices. Job wage or positional wage is determined by the labor factors, job responsibilities, and job differences of staff and workers. This is the basic portion that realizes the differences in the labor remuneration of staff members and workers. In accordance with the quantity of "labor," the grades can be expanded. If the labor factors and jobs of the staff members and workers change, this portion of the wages will change correspondingly. Seniority subsidy primarily takes into consideration the acceptability of the wage reform by the existing staff members and workers, and offers definite acknowledgement and encouragement to the workers who have had more experience, longer length of service, and more labor

contributions in the past. This type of subsidy can be determined by the length of service of the staff members and workers. For instance, Shenzhen Special Economic Zone has established a one-yuan annual increment for staff and workers who have had 5 years of service and more. This is an attempt to encourage them to remain in an enterprise and to reduce personnel turnover. Floating wages are regulated by enterprise profit and individual labor result. Of this, the greater the enterprise profit, the larger the retained wage fund and the higher the per capita income of enterprise staff and workers. This can embody the difference among the enterprises, while individual labor result--good or poor--can embody the differences among staff members and workers.

Due to the functional differences of the various portions of the wages in the structural wages, their proportions in the wage income should also be different. At the present stage, the wages are divided as follows: Basic wage constitutes 40 percent, job wage constitutes 30 percent, floating wage constitutes 20 percent, and seniority subsidy constitutes 10 percent, a 4:3:2:1 ratio. This seems more reasonable. Of course, this ratio should also change with production development.

In sum, the wage reform is a profound revolution in the realm of distribution in China. In the wage reform, we will encounter many complex issues, which will await further study. This article has presented several preliminary ideas by way of introduction in hopes of furthering the theory and practice of wage reform in China.

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LABOR AND WAGES

WORKERS' WAGES IN JOINT VENTURES DISCUSSED

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 12, 20 Dec 85 p 14

[Article by Chen Ke [7115 2688]: "Workers' Wages in Joint Ventures and State Subsidies"]

[Text] There are two particular characteristics to the wages earned by Chinese workers in a joint venture: First is that the components and levels of the wages are different from state enterprises. Normally the wages of Chinese workers in a joint venture enterprise are composed of three parts: the actual wage received by the individual worker, the labor insurance funds, and the state subsidies which involve material and cultural life. The state enterprise worker directly collects his income from the enterprise but this does not include labor insurance and benefits paid out by the enterprise or the various state subsidies. The second characteristic is its distributive nature. Chinese workers in a joint venture generally will collect all their wages individually, including labor insurance and state subsidies. These characteristics are determined by the form in which joint enterprises pay the mainline staff and workers and by China's overall wage system.

At present, joint-venture enterprises are generally paying Chinese workers their individual wage, their labor insurance funds, and their state subsidies in one lump sum. The precise amount of this combined wage is a product of negotiations between both sides during the incipient stage of the joint venture and is set down in the contract. According to stipulations in the agreement, the joint enterprise is to pay its Chinese workers on a monthly basis (typically the joint-venture enterprise employs someone to handle, exclusively or as a part-time task, the management of Chinese workers' wages, insurance, and benefits). Wages are distributed to these joint-venture workers according to relevant regulations. Those things that should be collected by the individual are distributed to the individual; labor insurance funds are retained by the enterprise or are remitted to the insurance company to cover employees; state subsidies are remitted to that particular locality's financial department. The wages of Chinese employees in a joint venture are handled in the above-mentioned manner mainly because China practices a socialist distribution system. As is commonly known, socialist nations do not consider labor a commodity; labor does not have a value or price transformable into a wage. Thus various methods of distribution must be employed to maintain the productivity of the labor force and continued production of consumer

necessities. In China, workers' wages are merely one manner of distributing consumer items to individuals.

In addition to wages, China has instituted a series of subsidies and enterprises have established a system of welfare funding and a labor insurance system; these things help solve the problem of consumer goods distribution. In 1979, relevant departments did a study of the wages, labor insurance expenses, and state subsidies in several areas and found that the funds used by the state and the enterprise for workers' subsidization programs actually amounted to 1.3-fold the real collected wage of the individual worker. This exemplifies the long-used distribution system in China whereby wages are low, but the subsidies are extensive. The characteristics of a Chinese-foreign joint venture and a state enterprise are different; hence it only makes sense that the wage structure and levels should also be different. Wages for Chinese workers in a joint venture are now generally about threefold greater than in state enterprises involved in a similar industry. Included in these wages are labor insurance funds and state subsidies that are 1.3-fold (of those received by state enterprise workers). The actual wage collected by the individual worker in a joint venture is 0.2- to 0.5-fold greater than that of a state enterprise worker. The main reason for this is spelled out in Article 93 of the Chinese-Foreign Joint Venture Regulations: "Wages and bonuses in a joint venture must be distributed according to the principle the more work, the more earned." Generally speaking, joint ventures involve advanced technology and equipment from abroad and are managed according to modern methods; this requires workers of a higher technical and educational level who are capable of handling more advanced work quotas. Consequently, it is necessary that individual workers be paid a bit higher than workers in a similar state enterprise industry. Some people suggest that the regulation holding the wages of Chinese workers in a joint venture to a 0.2- to 0.5-fold higher wage than those workers at a state enterprise working in the same industry and in the same area is nothing but an earnings ceiling on Chinese workers and should hence be abolished. We feel this is not an appropriate suggestion. Because joint ventures pay wages to their Chinese employees entirely on an individual basis, the labor insurance and state subsidies are all calculated in it. If the proportion of that section of workers' wages to be actually collected is not fixed, this would inevitably lead to excessive claims on labor insurance funds and state subsidies, which could result in insufficient resources for future insurance payments. Such short-sighted thinking cannot be adopted. Of course, if management of joint ventures improves and economic returns increase, a suitable raise in actual wages would be necessary. The director of a joint venture must be realistic and at the right time should adjust or hike wages in order to arouse the enthusiasm of the workers.

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TRANSPORTATION

RIVER TRIPS FOR TOURISTS PLANNED ON CHANG JIANG

OW051153 Beijing XINHUA in English 1033 GMT 5 Mar 86

[Text] Shanghai, March 5 (XINHUA)--A luxury ship will begin taking tourists on trips down the Yangtze River starting on March 26, according to the Great Yangtze Travel Co., the operator of the joint-venture between two Shanghai companies and a Hong Kong firm.

The ship, named "The Great Wall", completed its trial voyage yesterday traveling from Chongqing to Shanghai. It plans to travel three routes: from Chongqing to Shanghai, Chongqing to Yichang, and Nanjing to Shanghai.

The route between Chongqing and Yichang, which traverses the famous three river gorges, will be the first route to begin.

The ship, 79 meters long and 14-meters wide, has 200 beds as well as other facilities including a swimming pool, dance hall, bar, canteen, gym and solarium.

Another luxury yacht began this month to serve tourists on an ancient canal between Hangzhou and Suzhou, according to an earlier report.

To attract more tourists, China is now developing tourist services for special interests, including river trips, mountain trips, and trips along the ancient "silk road".

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CSO: 4020/245

TRANSPORTATION

BRIEFS

NEI MONGGOL RIVER FREIGHT--Hohhot, February 28 (XINHUA)--Boats and ships carrying grain and coal have begun plying again along the Yellow River in Inner Mongolia after a 20-year suspension. Officials here said today that cargo transport has been resumed along two sections of the Yellow River in the region, totalling 258 kilometers. The sections of the river had been used for transport for over 1,000 years but gave way to railways in the late 1950s when the line between Baotou, Inner Mongolia and Lanzhou, Gansu Province opened. The region's recent economic development has overburdened the railway and local authorities decided to resume river transport in 1983. Last year 1.53 million tons of goods were carried by river. Inner Mongolia plans to spend 37 million yuan over the next five years to improve Yellow River transport facilities. [Text [Beijing XINHUA in English 1131 GMT 28 Feb 86 86 OW] /6662

ICEBREAKERS IN LIAONING PORT--Shenyang, March 1 (XINHUA)--Yingkou port, located in northeast China's Liaoning Province, is scheduled to open March 5, some 20 days ahead of normal schedule, after icebreakers cleared the harbor, port officials said today. This is the first time that icebreakers have been used to open the port's navigation channels, frozen for three months of the year, since 1949 when the People's Republic of China was founded. Officials said the earlier opening means better use of the port. Everything is ready for the opening on March 5. The 120-year-old port, opened for foreign ships in October 1984, handled 285 cargo ships last year, about half being foreign ones. The port handled 890,000 tons of cargo in 1985 and is expected to handle one million tons of cargo this year, six times the figure for 1983, officials said. [Text] [Beijing XINHUA in English 1853 GMT 1 Mar 86 OW] /6662

CSO: 4020/245

HONG KONG'S ROLE IN GOLD EXCHANGE DISCUSSED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 50, 16 Dec 85 pp 7-8

[Article by Fu Zhu [0265 4554]: "Will Hong Kong Lose Its Central Position on the International Gold Exchange?"]

[Text] Due to a decreased volume of transactions and a reduction of activities by some gold dealers, Hong Kong's gold market has truly lost some of its vigor. However this does not necessarily mean that Hong Kong has lost its central position on the international gold exchange. The primary reason is that similar problems have appeared in other gold markets. The continuous growth of the gold market in the Asian Pacific region has presented Hong Kong with even more competitors, a challenge it must deal with sericusly.

Sluggish Transactions, Reduced Business Scope

The gold exchange is one of the most important financial activities of Hong Kong. It can be said that one reason why Hong Kong became an international financial center is the important position held by its gold market in the international gold markets. However the Hong Kong gold market, which had been developing rapidly since the 1970's, is now undergoing difficulties which have worsened since the beginning of this year. The main component parts of the market have fallen into a state of sluggish activity.

Due to the fact that statistics have never been published, there is no way to study changes in the gold and silver trade. However it can be confirmed that business is not the same as in the past for the Hong Kong gold exchange, this central place of transaction. The main basis for this situation is: 1. Trade has slackened. A few years ago, the market was a hububb of people, the ringing of telephones and the shouting of prices. today the scene is not nearly as lively. 2. There has been a sharp decrease in the price of license-transfer on the market. Because the number of seats for brokers has not been increased for years, license-transfer prices increased to 2.5 million yuan in the early 1980's, but according to informed sources on the market, recent prices have fallen to approximately

500,000 yuan. Although this is certainly related to the increase of gold-exchange channels, it is actually a reflection of the reduction of and difficulties in business.

Business on the local volume of the London gold market has also clearly been reduced. The local volume of the London market for which purchases occur in Hong Kong and sales occur in London in terms of ounces and U.S. dollars developed 10 years ago after the elimination of gold import and export control. A few years ago, the five big gold merchants that controled the London gold market, the three big banks in Switzerland that controled Zurich gold market, several investment firms actively engaged in the New York gold market, and a number of foreign banks were all engaged in the gold business. However, since last year, some banks have reduced their activities in the gold business. This year this reduction of activities in the gold business has spread to firms that deal primarily in gold. In early March, the U.S. Tianhui [phonetic] Co. and the Wansheng Securities Co. announced they would end their business and withdraw from the local branch of the London gold exchange. The Luofuji [phonetic] Co., which was listed among the five great gold firms of London, earlier announced a cessation of business activities on the night market, while the Jinbaoli [phonetic] Co., Ltd. announced at the end of October that it would close its only local office in Hong Kong--Jinbaoli Pacific--ending the gold exchange activities it had carried on in the region for 9 years. The reason these firms reduced or ended their gold dealing was the decrease in business.

The gold futures market of the commodity exchange market was also sluggish. According to statistics, the total volume of sales in gold futures for the first 9 months of this year was 4,405 batches (with 100 ounces to a batch). Although this was a clear 0.6-percent increase over the same time last year, it presented a sharp reduction compared to the last few years. Given the daily average of approximately 25 batches it would be completely justified to say that the Hong Kong gold futures market has fallen into a state of sluggishness.

Business in the "night gold shop" has slackened compared to its previously flourishing state. The "night gold shop" is a channel for the trade of gold peculiar to Hong Kong, acquiring its name from the fact that gold exchange continues there at night. In the three years 1981 through 1983, "night gold shops" sprouted up everywhere and flourished for a while. But since this year they have declined, and many night gold firms have ceased to do business while some companies have moved out of shop spaces on the street level to upstairs for less rent. This reflects the great decrease in gold transactions via this channel.

Hong Kong is among the sites with largest glod inflow in the world, and is the major transshipment place for gold in Southeast Asia. This is Hong Kong's main support in achieving and maintaining its central position in the international gold exchange. Since this year there have been no changes in gold inflow and transshipping through Hong Kong, the growth rate has

fallen. In the first 8 months the influx of gold bars increased 29 percent, while the figure for the first 8 months of 1984 compared to all of 1983 increased more than three times.

External and Internal Factors of Equal Importance

People may recall that at the world gold conference convened last May by Englands FINANCIAL TIMES in Hong Kong, someone offered the following opinion: the leading position of Hong Kong's gold market in Asia may erode with each passing day. Faced with the year-long decline in Hong Kong's gold exchange, people naturally are paying close attention to this problem: Is the international position of Hong Kong's gold market really declining? It seems that in order to answer this question requies first of all, discovering the reason for the stagnation of Hong Kong's gold market and also a comparison between it and other major gold markets.

The main reason for the stagnation of Hong Kong's gold market is the low price of gold and the lack of fluctuations. They treated the gold as a combination of security for investment, profiteering through speculation and general merchandise. But the players are primarily interested in investment and speculation, while the ability of gold in attracting investors or speculators is decided to a large degree by the trends and changes in the price of gold: Investors can only be attracted when gold prices fluctuate, and that profit is not lower than the profits from other investments. Speculators have the opportunity to make profit only when price changes are fairly large. However, for the past year market conditions suitable to attracting investors and speculators have not appeared in Hong Kong. The figures have shown that gold prices in Hong Kong for the past year have neither risen nor fluctuated greatly. Therefore, short-term speculators have basically withdrawn completely from the market, leaving only a minority of specialized investors.

The stagnation of the Hong Kong gold market is definitely related to the system whereby the Hong Kong dollar is pegged to U.S. dollars. Although Hong Kong's gold prices sometimes control world gold prices, prices are generally decided by the New York and London markets. When the Hong Kong yuan conversion rate fluctuates, one can make a profit by utilizing these changes as well as the fluctuations in the gold price. This is because the gold price in Hong Kong yuan rises and falls along with the rise and fall of the Hong Kong dollar-U.S. dollar conversion rate. However after pegging the Hong Kong dollar to the U.S. dollar, conversion rates have longer had an effect on gold prices. This represents, in fact, a loss of opportunity to make a profit for the players.

The first factor is the more important of the above two factors, and this factor was not brought into play by reasons internal to Hong Kong, but came about due to the slowing of the rate of inflation in the West, the strengthening of the U.S. dollar, high U.S. interest rates, falling petroleum prices and "counterreserves" (this refers to when many players purchased large quantities of gold for reserve when gold prices fell from the 1980 high to $500 per ounce in early 1984, throwing it back onto the market

later when gold prices rose slightly). Therefore the depressing effect on gold transactions that resulted was not limited to the Hong Kong market, but rather developed into a worldwide trend. In fact, business on the New York and London gold markets has also similarly declined. The total amount of transactions in gold futures on the New York Commodities Exchange showed a daily average 12-percent decrease from 1983 to 1984, and another approximate 10-percent decrease in the first half of this year. In June trading was ended on the London gold market due to the nonstop reduction of business transactions. Due to a fall in trade volume in the other two competing markets, Hong Kong gold market cannot be taken as indicative of a failing position on the international gold scene.

Intensified Competition Cannot Be Ignored

It is even more difficult to maintain than to start a business. Hong Kong's leading position on the Far East gold market is the result of a great deal of effort. To maintain this position will require dealing with even bigger challenges. The major reason for this is: an important condition in the development of Hong Kong's gold market over the last 10 years or so--the basic lack of regional competition--has already disappeared.

Hong Kong had the first gold exchange in the Far East and was the first to eliminate controls over the gold trade, which made its development into a central place of transit and trade of gold inevitable. But beginning in the latter half of the 1970's, Singapore, Malaysia, Japan, and other countries in the region eliminated or liberalized their controls over the gold trade. In recent years the volume of gold flow into Japan has exceeded that of Hong Kong, and the amount entering Singapore has sometimes been greater than Hong Kong's as well. A more serious challenge is the establishment in Singapore, Sydney, and Tokyo in 1978, 1981, and 1982, respectively, of gold futures exchagne markets, and the adoption by the relevant authorities of policies designed to stimulate trade and replace Hong Kong in its leading position in the gold market. For example, the Singapore gold exchange has been reorganized and expanded to become a financial futures exchange attracting banks, gold dealers, and products and securities brokers from the United States, Europe, Japan, and Southeast Asia as members. It has also adopted a system of exchange linking it up with the Chicago Commodity Exchange Market. Recently Singapore authorities decided to allow its residents to invest government bond funds in gold. The futures exchange of Sydney, Australia has already established close contacts with the New York Commodity Exchange. Japan has not only gone ahead of Hong Kong and established a financial futures exchange market in Tokyo, but has also recently greatly loosened restructions on foreign banks and commodities and securities firms doing business in Japan. In light of all this, Hong Kong may not only lose business from the above countries, but from other nations as well.

It should be noted that in the development of their gold markets, conditions in Tokyo and Singapore are no less favorable than in Hong Kong. For example, like Hong Kong they are in a position to link up with the New York and London gold markets on a 24-hour-a-day basis, and possess developed systems of telecommunications. Tokyo's market capacity is far greater than Hong Kong's. Hong Kong can no longer afford to ignore its competition. Of course, it should be realized that Hong Kong still has some advantages in this competition, including loose controls over foreign exchange, a multiplicity of avenues of investment, a vast foundation of customers, convenience in commercial language (especially in relation to Japan), and so on. More important is the fact that the situation behind the predicted waning of the position of Hong Kong's gold market has already clearly changed. Hong Kong's murky future prospects and unstable financial market of last May have disappeared, perhaps forever. This is a favorable condition for the continued development of Hong Kong's gold market in competition. Therefore, the problem now is how to utilize these favorable conditions to strengthen the ability of Hong Kong's gold market to attract investors, especially customers from outside Hong Kong. This will require cooperation between and continued efforts of the authorities and the financial world.

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China Report

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["Communique" on Liaoning Provincial 1985 national economic and social development issued by the provincial statistical bureau on 8 February]

[Text] In 1985, under the leadership of the provincial CPC Committee and Government, the people of various nationalities throughout our province conscientiously implemented the policy of enlivening the domestic economy and opening to the outside world, and persistently placed reform above everything else. They strengthened macroeconmic control and management while invigorating the microeconomy , and conquered the natural disasters rarely seen in our history. A good situation of sustained, stable, and coordinated development in the national economy appeared. According to initial statistics, the total product of society was 102.45 billion yuan, a 13.6 percent increase over the previous year; the gross industrial and agricultural output value was 80.03 billion yuan, a 13.4 percent increase; and the national income was 40.09 billion yuan, a 9.9 percent increase. (footnote 1) (The total social product is the total of the output value scored by the material production departments on the fronts of agriculture, industry, building undertakings, transportation, post and telecommunications, and commerce, including the undertakings of material supply, marketing and supply, and food service. The national income is the total of the net output value scored by the material production departmennts mentioned above.) Major targets of the national economy as stipulated in the "Sixth 5-Year Plan" were fulfilled successfully in an all-round manner. On the basis of developed production, revenue increased; markets were thriving; foreign trade was expanded continuously; and the people's living standards in both urban and rural areas showed further improvement. New progress was achieved in various social undertakings, such as science and technology, education, culture, public health, and physical culture, and sports. Specific manifestation of this was the gross national product, which reached 49 billion yuan, an increase of 13.4 percent over the previous year. (footnote 2) (The GNP is the total of the value increase scored by the departments in the society as a whole, including the value scored by the material production departments, the net incomes earned by the nonproductive departments, and the depreciation funds of fixed assets in the society as a whole.)

1. Agriculture

In 1985, in addition to consolidating and imrpoving the output-related contract responsibility system in rural areas, our province readjusted the rural production setup by a fairly large margin, and reformed the state monopolized and fixed-quota purchasing systems for farm products. It overcame the difficulties caused by floods and waterlogging, and enabled the rural commodity economy to develop to a fairly great extent. The total social product of rural areas of our province may reach 22.86 billion yuan, showing a 12.1 percent increase over 1984 in which an all-time record was registered. (footnote 3) (The total product of the rural society comprises the output value scored by the state-run, collective-run, and individual-run agricultural units, the output value scored by the township-town-run industrial enterprises and the rural individual-owned industrial setups, and the total output value scored by the rural units of building undertakings, communications and transportation, commerce, and social or public food service.) Of this, rural industry increased by 46.5 percent, construction industry by 24.3 percent, transportation industry by 16.7 percent, and commercial and catering industries by 34.2 percent.

The agricultural output value of the province was 14.06 billion yuan, a 9.9 percent increase over the previous year. Excluding the industry run at the units at the village level or below, the agricultural output value was 8.63 billion yuan, a 10.4 percent decline from the previous year. In the total agricultural output value, the output value of forestry, animal husbandry, sideline production, and fisheries grew from 50.7 percent in the previous year to 63.6 percent.

The structure of the cultivation of crops became more rational. The proportion of the areas sown to grain crops declined from 82.9 percent in the previous year to 78 percent, and that of the areas sown to cash crops increased from 9.5 percent in the previous year to 14.4 percent. The output of grain and cotton declined because of a planned reduction of their acreage and too serious disasters. The output of grain and soybeans of the province was 9.76 million tons, a decline of 31.6 percent from the previous year. The output of major farm products is listed as follows:

	1985	Percentage of Increase Over
Grain	9.76 million tons	-31.6
of which:		
Paddyrice	2.63 million tons	-20.5
Soybeans	546,000 tons	-13.9
Cotton	24,000 tons	-63.6
Oil bearing seeds	540,000 tons	28.6
of which:		
Peanuts	403,000 tons	23.3
Fruits	807,000 tons	-15.5
of which:		
Apples	548,000 tons	-19.9
Vegetables	5.895 million tons	-24.9
Flue-Cured Tobacco	18,000 tons	-18.2

A total of 4.806 million mu was afforested throughout the province, showing an increase of 0.3 percent over the previous year. In animal husbandry, the number of draught animals in stock at year end reached 3.033 million, an increase of 6.5 percent over the previous year, and an all-time record. After we relaxed the control over the price of hogs, their number picked up rapidly, and at the year end reached 10.395 million, an increase of 16.4 percent. The output of various livestock and poultry also registered increases. Pork, beef and mutton grew by 3.1 percent, and eggs by 39.6 percent. The total output of aquatic products reached 566,000 tons, a 2.5 percent increase over the previous year, and an all-time record.

The agricultural technical equipment was improved. The total power capacity of farm machines reached 8.346 million kw by the end of 1985, an increase of 10.4 percent over the previous year. The number of various kinds of tractors reached 140,000 an increase of 12 percent. The number of heavy-duty trucks for farm use reached 25,000, an increase of 25 percent. A total of 709,000 million tons of (pure) chemical fertilizer was applied during the year, a drop of 7 percent from the previous year. The total consumption of electricity for farm use was 2.93 billion kwh, an increase of 5.8 percent over the previous year.

Forecasts of bad weather by the provincial meteorological department were fairly accurate and prompt. The main problems in agricultural production were that the agricultural water conservancy facilities were outdated, the foundation was weak, and the ability to resist natural disasters weakened. The tasks of restoring production and rebuilding homes in the disastrous areas were still very heavy. Furthermore, the situation of indiscriminately and excessively occupying farmland still emerged.

The Changes in the Proportions Among the Agricultural and Heavy Industrial Sectors.

[The change is indicated by a pie-shaped graph showing that the proportion of agriculture rose from 11.3 percent in 1980 to 17.6 percent in 1985, that of light industry dropped from 28.7 percent in 1980 to 28.3 percent in 1985, and that of heavy industry dropped from 60 percent in 1980 to 54.1 percent in 1985]

2. Industry

Industrial production continued to rise in the course of readjustment in the province in 1985. The total industrial output value was 65.72 billion yuan, an increase of 14 percent. If the industrial output value of the industrial units at and below the village level and of the individual industrial units are included, the increase was 17.2 percent over the previous year. This was the highest growth rate and the biggest step we have ever achieved in a year since the 3d Plenary Session of the 11th CPC Central Committee. Of the total industrual output value, the state industrial units showed an increase of 10.1 percent, the collective industrial units showed an increase of 25 percent, and industrial units of other economic ownership showed an increase of 38.7

percent. The output of 58 of the 80 major industrial products met or topped the state plans. We reduced the production of some products whose production plans could not be fulfilled because the supply was greater than the demand.

The light and heavy industries developed in a fairly proportionate manner. The output value of light industry during the year reached 22.56 billion yuan, an increase of 11.6 percent. The designs and varieties of light industrial products increased and the output of medium- and high-grade durable goods and brand-name quality products increased by a large margin. The development in these sectors played a good part in stabilizing the markets.

The output of major light industrial products is listed as follows:

	1985	percentage of increase over 1984
Television Sets	810,000	42.7
of which:		
Color Television Sets	144,000	8.7
Cassette Recorders	386,000	9.3
Household Washing Machines	1.179 million	38.7
Bicycles	1.673 million	14.7
Sewing Machines	45,000	-63.7
Watches	4.886 million	15.7
Cigarettes	436,000 boxes	8.1
Detergents	50,000 tons	11.8
Chemical Fibers	140,000 tons	19.8

In the heavy industry, we continued to readjust the production setup, expand the service spheres, and further display the favorable conditions in this sector. The annual heavy industrial output value reached 43.16 billion yuan, an increase of 15.3 percent. The output value of the chemical and metallurgical industries rose respectively by 7.4 percent and 10.3 percent, and that of the machinery industry, rose by 24 percent. The output of primary energy reached 49.207 million tons (standard coal), an increase of 9.5 percent over the previous year.

The output of major heavy industrial products is listed as follows:

	1985	Percentage Increase Over 1984
Coal	45.409 million tons	5.6
Crude Oil	9.221 million tons	17.8
Natural Gas	1.5 billion cubic meters	9.4
Power Output	35.21 billion kwh	8.7
Steel	10.246 million tons	5.8
Rolled Steel	7.128 million tons	7
Pig Iron	10.23 million tons	2
Cement	10.147 million tons	8.1
Chemical Fertilizer	526,000 tons	-25.3
Motor Vehicles	32,000 tons	-25.3
Motor Vehicles	32,512	70.6
Tractors	2,710	3.9
Machine Tools	20,349	7.5

The per-capita productivity for state-owned enterprises designated to undertake independent accounting rose by 7 percent over the previous year. The amount of profits and taxes realized by the industrial enterprises which were covered by the state budget reached 7.07 billion yuan, an increase of 15.9 percent over the previous year, exceeding the growth of 11.8 percent in the total industrial output value of the same line of production. The turnover period for working funds was shortened from 111 days in the previous year to 108 days. The industrial enterprises throughout the province saved a total of 1.681 million tons of energy. In 1985, the province as a whole won 101 state quality awards for its products, of which 12 were gold awards and 89 were silver awards. Winning awards for such a great number of and a large range of products was unprecedented in the history of the province. At present, the main problems in industrial production are that energy and raw materials are still in short supply; management is backward; the cost exceeds expenditures; deficits have increased; and the trend of suffering a decline in the quality of products has not yet ended.

3. Investment in Fixed Assets and the Building Industry

In 1985, our province accelerated the construction of key projects and the equipment replacement and technical updating of the enterprises. The total investment in the fixed assets of state-owned units came to 10.9 billion yuan, an increase of 48.8 percent, and of the urban and rural collective units came to 1.56 billion yuan, an increase of 47.1 percent. The investment in the fixed assets of the urban and rural individual units reached 1.56 billion yuan, an increase of 21.9 percent. Of the total investment in the fixed assets of state-owned units, investment in capital construction accounted for 5.61 billion yuan, an increase of 44.7 percent over the previous year. Of the investment listed in the plan for examination investment in capital construction reached 4 billion yuan, meeting the annual plan. Of the investment in capital construction, the investment in state projects whose funds came directly from the various ministries of the CPC Central Committee increased by 28.1 percent. The investment in local projects increased by 66.1 percent. Investment covered by the state budget increased by 1 percent and the investment not covered by the state budget increased by 88.1 percent. The investment in productive projects rose by 36.2 percent and that in nonproductive projects 54 percent. Investment in housing increased by 62.9 percent. Shenyang City which is entitled to make its own developmental plans increased its investment by 48.3 percent and the open coastal city of Dalian increeased its investment by 60.2 percent over the previous year.

Of the investment in capital construction, the investment in key projects increased. The investment in the energy industry increased by 27.2 percent, in communications, post and telecommunications by 69.4 percent, and in cultural, educational, public health, and research undertakings by 46.8 percent. About 1.95 billion yuan was invested in 45 large and medium-sized projects and four single-item projects whose completion and putting into production in 1985 were damanded by the state were basically completed. The

projects in operation helped add the following production capacities and economic benefits: 1.8 million tons of natural petroleum; 250 million cubic meters of natural gas; 450,000 tons of coal; 47,500 kw of power generating capacities; 1.5 million kw of power transformation capacities; 960,000 tons of cargo handling capacity at ports; and 930 million cubic meters of water storage capacities in reservoirs. An additional 150,000 tons of water was supplied to the urban areas. The housing completed during the year reached 5.65 million square meters. The projects in operation also helped add an additional 3.48 billion yuan worth of fixed assets.

We have accelerated the pace of conducting technical innovations and updating among the existing enterprises. The province invested 4.28 billion yuan in technical innovations and updating among the state-run enterprises, showing a 55.1 percent increase over the 1984 figure. Of these investments, those used for increasing the varieties and output of products showed more than a 100 percent increase and those used for saving energy resources and raw materials and upgrading the standards of product quality showed a 10.2 percent increase. The number of items of technical innovations and updatings reached 5,757 in 1985, of which, 3,305 items were completely built and put into production, and have played a certain role in conducting reforms among the outdated enterprises.

The state-run construction and installation enterprises across the province signed contracts to build the projects in 1985, accounting for 85.1 percent of the total number and showing a 12.2 percent increase over the 1984 figure. Of these projects, those contracted by inviting tenders and entering bids showed a 220 percent increase over the 1984 figure. These construction and installation enterprises showed a 27.4 percent increase in their annual output value and a 22.7 percent increase in their annual labor productivity. The problems cropping up on the capital construction front in our province are: the construction scope outside the budget is on the larger side; the front of construction operations is bigger than before; the structure of investments is not reasonable at all; and the benefits of investments is declining.

The Acreage on Which Houses and Residences Were Completely Built by These State-run Units

[The acreage is indicated by a bar graph showing that these state-run units built 9.943 million square meters of houses in 1981, of which, residences accounted for 6.346 million square meters; that they built 10.403 million square meters of houses in 1982, of which residences accounted for 6.618 million square meters; that they built 9.708 million square meters of houses in 1983, of which, residences accounted for 5.848 million square meters; that they built 11.07 million square meters of houses in 1984, of which, residences accounted for 6.447 million square meters; and that they built 11.604 million square meters of houses in 1985, of which, residences accounted for 6.821 million square meters.]

4. Transportation, Post, and Telecommunications

In 1985 our province's communications departments further enlivened transport markets and showed a sustained and stabilized increase in the volume of

transported goods and passengers by continuously tapping the latent power in the drive to conduct readjustment and reforms and upgrading transportation capacity. The province's total volume of transported goods reached 240 million tons, a 3.5 percent increase over the 1984 figure. Of this, the volume of goods transported by railway within the province reached 140 million tons, a 2.7 percent increase over the 1984 figure; that of goods transported by highway, 49.17 million tons, a 4.5 percent increase over the 1984 figure; that of goods transported by waterway, 1.48 million tons, basically the same as the 1984 figure; that of goods and postal matters transported by civil aviation planes within the province, 5,295 tons, a 23.2 percent increase over the 1984 figure; that of oil carried by pipeline, 45.08 million tons, a 4.4 percent increase over the 1984 figure; and that of goods loaded or unloaded by the state-run ports in the province, 44.71 million tons, a 10 percent increase over the 1984 figure. Of the goods loaded or unloaded by the ports, the volume of export goods showed a 19.2 percent increase over the 1984 figure, and that of import goods, a 1.4 percent increase over the 1984 figure.

The province has somewhat relieved the strained situation in railway passenger transport thanks to the price hike by the state with regard to short-distance railway transport, having highway transport units share the tasks of railways, and developing private transport firms. The volume of passengers transported by railway within the province reached 187 million persons, a 5.8 percent decrease over the 1984 figure; that of passengers transported by highway, 173 million persons, a 4.8 percent increase over the 1984 figure; that of passengers transported by waterway, 200,000, an 11.1 percent increase over the 1984 figure; and that of passengers transported by civil aviation planes within the province, 210,000, a 73.6 percent increase over the 1984 figure. The post and telecommunications undertakings were improved to a greater extent and the capacity of communications and the construction of urban telephone lines were continuously strengthened. The total volume of post and telecommunication operations accounted for 171 million yuan, a 16.5 percent increase over the 1984 figure. Of this, the volume of postal deliveries showed a 19.2 percent increase over the 1984 figure; that of telegrams, a 22.3 percent increase over the 1984 figure; and that of long-distance telephone operations, a 23.9 percent increase over the 1984 figure. However, the strained situation in transportation, post, and telecommunications has not been fundamentally relieved and is the weak link that has still restricted the economic development in our province.

5. Commerce and Commodity Prices

Along with the gradual conducting of reforms in commercial systems in 1985, markets throughout the province enjoyed brisk buying and selling. The volume of commodity purchased by the state-run firms and the supply and marketing cooperatives throughout the province reached 13.25 billion yuan, a 6.8 percent increase over the 1984 figure. Of this, the volume of purchased industrial products showed a 15.5 percent increase over the 1984 figure. The province realized an 18.6 percent increase in 1985 in its volume of commodities transferred to the places outside the province and a 14.5 percent increase in its volume of commodities transferred from the places outside the province, as well as a 21.7 percent increase in its volume of commodities bought from the places outside the province. The total value of retail sales of commodities

of the province reached 23.1 percent, an increase of 22.2 percent over the previous year. If the rise in the prices is excluded, the increase was 11.1 percent. Of this, the retail sales of consumer goods were valued at 20.91 billion yuan, an increase of 24.8 percent, and the value of retail sales of the agricultural capital goods reached 2.19 billion yuan, an increase of 1.7 percent. Of the volume of retail sales for consumer goods, the sales of foodstuffs, clothing, and daily necessities increased comprehensively. The sales of food commodities increased by 20.7 percent, that of clothing 24.7 percent, and that of daily necessities 26.3 percent. Judging from the sales of consumer goods, the sales of quality and high-grade durable consumer goods increased sharply. The sales of electric fans increased by 1.4 times, that of refrigerators 1.9 percent, that of television sets 15.9 percent--color television sets increased by nearly 2 times,--that of washing machines 13.6 percent, and that of cassette recorders 13.3 percent. The volume of sales of other daily necessities and other general products for daily use was stable, basically meeting the supply needs. We witnessed a new development in the province's urban and rural trade fairs. By the end of the year, we had 2.158 urban and rural trade fairs, an increase of 273 trade fairs or 14.5 percent over the previous year. The total volume of transactions reached 2.57 billin yuan, an increase of 50.4 percent. The transaction volume of some major products also increased sharply. The sales of edible vegetable oil increased by 57 percent, that of pork 70.1 percent, and that of beef, eggs, and live chickens rose respectively by 50 percent or more.

With the deepening reform of the commercial structure, the market setup showed remarkable changes. Of the total value of retail sales of commodities, the value of retail sales by the state economic units increased by 17.4 percent and the proportion of retail sales by these units dropped from 47.7 percent in 1984 to 45.8 percent; the value of retail sales by the collective economic units increased by 13.7 percent and the proportion dropped from 38.7 percent in the previous year to 36 percent; the value of retail sales by individual economic units increased by 73.7 percent and the proportion rose from 8.6 percent in the previous year to 12.2 percent; and the value of retail sales by peasants to the nonagricultural population in the village fairs increased by 46.3 percent and the proportion rose from 5 percent in the previous year to 6 percent. By the end of the year, the commercial units throughout the province had established a total of 69 trading centers of various descriptions. Among the province's small retail enterprises, about 75.2 percent have been given a free hand in changing the operation methods and line of production and in leasing out their businesses to other people. However, some brand-name and quality large commodities of reasonable prices were in short supply and the surplus purchasing power of the residents continued to grow.

The Retail Sales of Commodities

[The value of retail sales of commodities is indicated by bar graph showing that the value of retail sales of commodities reached 13.15 billion yuan in 1981, 13.9 billion yuan in 1982, 15.34 billion yuan in 1983, 17.96 billion yuan in 1984, and 21.72 billion yuan in 1985.]

In 1985, our province vigorously and soundly carried out the price structural reform, eased the price restrictions in some major nonstaple foodstuffs such

as port and vegetables, and played an active part in bringing the irrational proportions in the various sectors into a better balance. However, the price rises were still great. The total purchasing price index for farm and sideline products showed an average increase of 11.7 percent over the previous year. The total retail price index went up by 10 percent over the previous year, of which, that of the urban areas went up by 11.8 percent, and the rural areas went up by 6.1 percent. The consumer goods price index went up by 10.6 percent and the price index for the agricultural capital goods went up by 4.9 percent. Viewing from the retail prices of various consumer goods, the prices of foodstuffs went up by 16.3 percent, of which, the price of fresh vegetables went up by 24.2 percent; that of meat, poultry and eggs 16.9 percent respectively; that of aquatic products 47.9 percent; and that of fruits 39.7 percent. The retail prices of [word indistinct] increased by 2 percent, of which, the price of daily necessities increased by 4 percent, and that of books, newspapers and periodicals 16.8 percent respectively. The retail prices of goods for cultural and recreational purposes, medicines, medical equipment and fuel also went up slightly. The index for the cost of living of the workers during the year rose by 11.4 percent, of which the price index for services went up by 6.7 percent. The index for the cost of living of peasants went up by 6.7 percent over the previous year, of which the price index for services went up by 6.6 percent.

6. Foreign Economic Relation, Trade, and Tourism

Our province actively carried out foreign economic relations, trade, and technical exchanges in 1985 and made new progress in enforcing the policy of opening to the outside. The province's purchasing volume of export commodities reached 3.64 billion yuan, a 17.3 percent increase over the 1984 figure. The total trade volume of Dalian harbor city in both export and import reached $5.39 billion, a 5.3 percent increase over the 1984 figure. Under the circumstances in which the export prices declined over the past consecutive years and the demand of domestic markets increased, the province's export volume topped the previous peak and reached more than $5 billion, an 1 percent increase over the 1984 figure, overfulfilling the 1985 plan. The province's total import volume reached $350 million, an 1.8 percent increase over the 1984 figure.

Our province gradually expanded the scope of utilizing outside funds and introducing outside technology and increased the number of technology-knowledge intensive projects. The province introduced 214 completed sets of production lines, and showed a 94 percent increase over the 1984 figure. It newly signed the contracts concerning 1,213 items of utilizing outside funds and introducing outside technology, which dealt with $880 million, a 100 percent increase over the 1984 figure, the same as the 1.6 fold volume scored in the first four years of the Sixth 5-Year Plan. Of the $880 million, the volume of introduced funds reached $340 million, a 330 percent increase over the 1984 figure; and that of introduced technology were worth $540 million, a 48 percent increase over the 1984 figure. The province actually spent $360 million of foreign exchange. The Dalian economic and technical development zone has signed the contracts concerning 14 projects, of which, the construction work of 13 projects has begun. The province also signed 60 new contracts with outside units with regard to construction work and labor force

cooperation, which dealt with $33.98 million, an 81 percent increase over the 1984 figure. The province realized a $15.68 million of turnover in these contracts, and showed a 670 percent increase over the 1984 figure.

Our province achieved swift development in tourism in 1985. It received 96,400 visitors from 93 countries and regions of the 5 continents, who were tourists, visitors to their relatives and friends, and to scenic spots, and personnel joining in the exchange programs of trades, science, and culture. The province showed a 64.1 percent increase in receiving visitors over the 1984 figure. Of these, visitors from foreign countries reached 80,000, a 64.5 percent increase over the 1984 figure; and overseas Chinese and compatriots fron Hong Kong, Macao, and Taiwan reached 16,400 a 62.1 percent increase over the 1984 figure. The annual foreign exchange income earned in the tourism reached $15.571 million, a 62.9 percent increase over the 1984 figure.

7. Finance, Banking and Insurance

In 1985 our province scored market achievements in enhancing management in finance and banking and carrying out general inspection over financial affairs, tax revenues, and commodity prices, while further doing a good job in conducting reforms in the systems of finance and banking. The annual local financial revenues reached 7.93 billion yuan, a 17 percent or 1.05 billion yuan increase over the 1984 figure. The province prefulfilled or overfulfilled the annual revenue plan by two months and topped the peak scored in the past few years. The annual local financial spendings, including the disaster relief funds additionally assigned by the central authorities and the spendings on purchasing extra grains at added prices, reached 5.72 billion yuan, a 46.2 percent increase over the 1984 figure.

By the end of 1985, the volume of various deposits in the banks throughout the province reached 21.63 billion yuan, a 19.1 percent increase over the figure scored at the beginning of the year, the volume of various loans, 33.72 billion yuan, a 20.9 percent increase over the figure scored at the beginning of the year; and the volume of money deposited by both urban and rural people, 10.1 billion yuan, a 2.73 billion yuan or 37.1 percent increase over the figure scored at the beginning of the year. Of these, deposits by urban people reached 7.27 billion yuan, a 2.14 billion yuan or 41.8 percent increase over the figure scored at the beginning of the year; and those by rural people, 2.83 billion yuan, a 590 million yuan or 26.4 percent increase over the figure scored at the beginning of the year.

Our province achieved new development in insurance business in 1985. It increased the varieties of insurance policies from 60 in the first half to 90 in the later half and realized a 42.8 percent increase in the income earned from the insurance business with domestic clients and a 580 percent increase in the income earned from the insurance business with clients.

8. Science, Education, and Culture

In 1985, we conscientiously implemented the decision of the CPC Central Committee on reforming the structures of science, technology, and education, bringing vigor and vitality to the province's scientific, technological,

cultural, and educational undertakings. Our scientific and technical ranks were expanded increasingly and remarkable results were made in popularizing scientific and technological findings. There were 483,000 personnel in the state-owned natural sciences units and 374,000 personnel in the state-owned social sciences units, an increase of 5.5 percent and 21 percent respectively over the previous year. The number of scientific and technical findings in the social sciences sector during the year came to 2,476, an increase of 576 items over the previous year, of which 850 items were major scientific and technological findings. Eight inventions and discoveries won the state patent right. Some scientific and technological items such as the ceramic crystallized glaze industrial experiment and the instrument for examining skulls attained the advanced international level.

Educational undertakings developed rapidly and new achievements were made in reforming the educational structure. The institutions of higher learning throughout the province had a total enrollment of 95,000 students, the largest enrollment in a year. There were 21 institutions of higher learning for training graduate students for doctorates. These institutions had a total of 3,687 graduate students, an increase of 1,563 students over the previous year. The secondary specialized education as well as the vocational and technical education had been strengthened and initial achievements were made in readjusting the structure of secondary education. The total student body of the secondary specialized schools throughout the province reached 70,000, an increase of 9,000 students over the previous year. The student body of the agricultural and the vocational middle schools reached 147,000, an increase of 52,000 students. The proportion of student body of secondary specialized, agricultural, and vocational middle schools to the student body of senior middle schools rose from 31 percent in the previous year to 41 percent. We scored initial results in changing the situation in which the unitary system of secondary education was implemented. The total enrollment of regular senior middle schools reached 313,000, an increase of 19,000. There were 1.556 million regular junior middle school students, an increase of 88,000. There were 4.223 million primary school students throughout the province and the school admission rate of school-age students reached 98.3 percent. Adult education developed rapidly and a multilayered adult education network was in a fledgling form. The province's total student body of various kinds of institutions of higher learning, secondeary and primary schools for adults reached 673,000.

New achievements were made in the cultural, broadcasting, television, and publication undedrtakings. The province as a whole produced 192 new films of various types. There were 11,821 film projection units of various types at the end of the year. The number of cultural halls, galleries, public libraries, and museums increased slightly over the previous year. The province as a whole had 14 radio broadcasting stations with 33 transmitting and relay stations, and 15 television centers, with 36 transmitting and relay stations, and 15 television centers, with 36 transmitting and relay stations each equipped with transmitters for 1,000 watts or more, all showing a slight increase over the previous year. About 63.2 percent of the population could receive radio broadcast and about 68.3 percent of the population could receive television broadcast. The province as a whole had 83 kinds of newspapers, an

increase of 21 kinds over the previous year, and published 1,763 kinds of books and magazines, an increase of 441 kinds over the previous year.

9. Public Health and Sports

New progress was made in the public health undertakings in 1985. At the end of the year, our province had 136,000 hospital beds, an increase of 7,000 over the previous year, and 50,000 family-based sickbeds, ranking first in China. At present, the province has initially formed various kinds of medical cooperative associations. The number of health workers totalled 193,000, an increase of 7,000 persons over the previous year. This included 66,000 doctors, an increase of 2,000 doctors over the previous year. We also further strengthened the work of preventing and curing all kinds of common and endemic disease.

In 1985, we witnessed fruitful achievements in sports undertakings. The provincial contestants won 124 gold medals in the domestic and international competitions, winning 4 more gold medals than the best year of 1984. At the intercontinental level competitions, 16 contestants won 22 championships, 5 contestants broke 2 Asian game records on 6 occasions, and 2 contestants created the best world records in the 10 km heel-and-toe walking races on two occasions. At the national competitions, 18 contestants, and 2 teams broke 13 national records on 21 occasions, and 4 contestants broke 6 national youth records on 7 occasions. We won a total of 102 championships, an increase of 9 over the previous year. The province as a whole held a total of 1,326 sports meets at the county level or above.

10. People's Livelihood

On the basis of developing production, the state conducted preliminary reforms in wages systems in 1985, delegated power to fix the prices of meat, poultry, egg, aquatic products, vegetable, and other nonstaple foodstuffs, and gave adequate subsidies to the urban people, which enabled residents in both urban and rural areas to upgrade their standards of incomes in varying degrees. According to the sample income survey carried out among the households in both urban and rural areas, the per capita income of urban areas, which was spent only on livelihood, reached 689 yuan, a 17.6 percent increase over the 1984 figure and a 4.8 percent increase after deducting the factor of price changes. After suffering from the serous natural disaster, the per peasant net income reached 460 yuan, a 0.9 percent increase over the 1984 figure and a 5 percent decrease after deducting the factor of price changes. (Footnote 4) (The per peasant net income does not include the incomes gained through selling their property and those of cash presentation among the rural people.) Judging from the living expenses of both urban and rural people, the per capita living expense of urban areas reached 650 yuan, a 20.2 percent increase over the 1984 figure and a 7.9 percent increase after deducting the factor of price changes. Of these expenses, those spent on consumer goods showed a 20.5 percent increase over the 1984 figure and those on service for cultural life showed a 16.7 percent increase over the 1984 figure. The per peasant living expense in rural areas reached 390 yuan, a 16.6 percent increase over the 1984 figure and a 9.3 percent increase after deducting the factor of price changes.

Our province made job arrangements for 318,000 jobless persons in urban areas in 1985. At the end of 1985, the number of staff members and workers throughout the province reached 9.209 million persons, a 2.2 percent increase over the 1984 figure. The annual total wages of staff members and workers reached 9.63 billion yuan, a 17.6 percent increase over the 1984 figure. Of these wages, those of bonus and overtime payment reached 1.83 billion yuan, a 25.3 percent increase over the 1984 figure. The average wages in cash of staff members and workers throughout the province reached 1,057 yuan, a 14.3 percent increase over the 1984 figure and a 2.6 percent increase after deducting the factor of price changes. The housing conditions of both urban and rural people were improved thanks to the faster development in housing construction in both urban and rural areas.

The Changes of Living Incomes and Spendings of Both Urban and Rural People

[The changes are indicated by a bar graph showing that the urban people's income in 1981 reached 480 yuan and the rural people's income in 1981 reached 310 yuan; urban income in 1982 reached 500 yuan and rural, 330 yuan; urban income in 1983 reached 500 yuan and rural, 460 yuan; urban income in 1984 reached 600 yuan and rural, 490 yuan; and urban income in 1985 reached 689 yuan and rural, 500 yuan. The graph also shows that the urban people's spending in 1981 reached 460 yuan and that of the rural people's in 1981 reached 260 yuan; urban spending in 1982 reached 470 yuan and rural, 260 yuan; urban spending in 1983 reached 490 yuan and rural, 300 yuan; urban spending in 1984 reached 550 yuan and rural, 340 yuan; and urban spending in 1985 reached 650 yuan and rural, 380 yuan.]

11. Population

According to the estimation carried out in line with the population changes revealed by the sample census, the province's population reached 36.89 million persons by the end of 1985, an increase of 342,000 persons over the figure scored at the end of 1984. The province's birth rate was 13.25 per thousand; that of death, 5.28 per thousand; that of natural growth, 7.97 per thousand; that of family planning, 99.4 percent; that of one-child couples, 90.9 percent; that of two-children couples, 8.9 percent; and that of many-children couples, 0.2 percent. In 1985 the province showed an increase in its birth rate, natural population growth, and two-children couples, chiefly because of the increase of fertile women and newly married couples and the further improvement in the policy. The province also showed a slight increase in the death rate because of the change in the age structure of the population.

[Explanation of--Footnotes:]

All figures revealed by the communique are of the nature of bulletins. In the communique, the calculation of the GNP, total social product, national income, and total product of rural society was carried out in line with the prices in the year. The calculation of the total industrial and agricultural output value was carried out in line with the unchanged prices in 1980 and that of increases scored in various targets were carried out in line with the comparable prices.

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AGGREGATE ECONOMIC DATA

SICHUAN RELEASES ECONOMIC STATISTICS FOR 1985

HK080329 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 7 Mar 86

[Excerpts] The provincial statistics bureau has published its report on the province's national economic and social development in 1985.

The report says: Last year the province's domestic output value rose by 11.3 percent over 1984. Total social output value rose by 14.3 percent. Total industrial and agricultural output value rose by 13.2 percent. National income rose by 11.7 percent.

Agricultural output value was 30.54 billion yuan, a rise of 9 percent over 1984. Despite a decline, grain output was 38.37 million tons, the fourth highest on record. Big increases were recorded in output of major industrial crops, except for cotton. A good momentum of sustained growth was [word indistinct] animal husbandry. Total output value of the township enterprises was over 14 billion yuan, a rise of 62.4 percent over 1984.

Under the impetus of all-round reforms of the economic structure with the focus on the cities, the province recorded sustained development in industrial and communications production, key construction, and commodity circulation. Total industrial output value rose by 16.2 percent over 1984. Big increases were recorded in output of consumer durables such as color television sets, refrigerators, recorders, and washing machines.

Average net peasant income in 1985 was 315 yuan. Their real income rose by 6.9 percent over 1984. Disposable income of urban residents averaged 644 yuan, and their real income rose by 8.2 percent. Year end savings deposits of urban and rural residents stood at 9.073 billion yuan, a rise of 37 percent.

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AGGREGATE ECONOMIC DATA

MAJOR INDICES OF COMPREHENSIVE REFORM IN PILOT CITIES

Beijing JINGJI RIBAO in Chinese 18 Dec 85 p 2

[Text]

	Labor productivity (yuan/person)			Taxes and profits per 100 yuan of funds (yuan)			Per capita living area (square m)			Retail and commercial outlets per 10,000 persons		
Year	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984
Average for all cities	13,866	14,949	15,892	27.6	26.2	27.4	4.4	4.6	4.9	29.9	50.2	64.9
Shijiazhuang	15,016	15,657	17,817	37.4	32.8	30.6	5.5	4.3	4.9	23.5	38.4	52.9
Handan	9,630	10,379	11,005	21.3	21.5	21.9	4.5	4.8	4.6	20.8	47.9	80.8
Tangshan	10,164	10,400	11,135	18.9	18.5	18.1	3.3	4.2	5.4	49.4	85.6	101.2
Qinhuangdao	8,107	8,699	9,848	12.9	15.8	19.9	4.6	4.6	4.2	22.2	35.5	74.5
Taiyuan	10,561	12,490	13,418	13.7	15.3	15.5	4.5	4.8	5.2	21.6	29.5	32.3
Hohhot	8,842	10,073	11,317	14.4	20.5	22.7	4.6	5.2	5.5	32.2	67.4	78.9
Baotou	10,272	10,881	11,137	8.6	9.5	10.1	3.8	14.1	4.3	22.3	43.5	55.7
Shenyang	11,510	12,602	14,461	20.3	19.1	21.7	3.9	4.1	4.8	27.3	46.9	66.8
Dalian	18,080	19,418	22,461	34.8	35.3	37.8	4.3	4.4	4.7	27.5	42.2	65.9
Dandong	15,124	16,083	19,344	28.0	26.2	27.7	3.9	3.7	3.9	41.9	63.0	100.6
Changchun	11,798	12,633	14,358	23.1	24.6	29.1	4.3	4.5	4.7	32.8	59.8	69.8
Siping	11,455	13,008	14,343	22.6	22.3	17.4	3.5	4.0	4.1	36.8	73.7	111.4
Jilin	16,782	16,918	19,214	26.2	28.6	23.1	4.0	4.4	4.4	28.1	75.2	83.4
Harbin	10,377	11,158	12,308	15.4	14.8	16.4	3.3	3.5	3.8	29.4	52.8	53.2
Mudanjiang	12,508	13,059	14,711	22.9	23.8	23.3	3.6	3.7	3.9	42.0	55.6	69.6
Nanjing	15,812	16,738	18,837	28.2	29.2	33.6	5.4	5.7	5.8	31.1	39.2	54.1
Changzhou	23,894	24,488	25,859	35.7	34.7	34.5	4.7	5.1	5.4	19.8	27.1	38.3
Hangzhou	16,562	17,859	20,315	47.5	48.5	49.6	4.8	5.3	5.7	23.9	35.5	48.3
Huzhou	15,902	16,637	17,675	38.0	36.3	34.5	6.0	6.2	6.8	24.7	31.9	66.2
Ningbo	17,368	18,464	27,907	53.0	51.7	57.1	6.4	6.2	6.5	29.5	42.9	58.6
Wenzhou	8,843	9,698	10,369	13.8	17.0	16.3	4.7	4.9	4.9	50.2	111.6	126.3
Hefei	12,342	13,154	14,684	26.6	26.0	28.3	5.2	7.6	7.7	27.4	28.3	57.3
Bengbu	19,922	19,827	20,793	45.6	44.0	48.2	3.7	4.1	4.8	40.0	48.3	55.7
Jingdezhen	5,163	6,634	7,743	14.1	14.6	18.8	4.0	5.1	5.0	15.4	36.8	63.4
Pingxiang	4,316	4,920	6,299	1.5	4.5	7.9	4.7	4.8	4.7	16.8	36.1	29.9
Fuzhou	10,724	13,366	13,223	22.8	20.7	21.9	4.8	5.3	5.7	29.2	52.9	66.9
Sanming	12,801	12,741	15,904	21.6	18.8	17.6	5.2	6.4	6.9	32.0	69.1	90.9
Quanzhou	9,748	9,752	11,532	24.6	20.8	20.5	4.0	4.0	5.2	81.6	103.9	78.3
Xiamen	14,885	16,319	17,806	44.1	38.9	44.8	4.7	5.0	5.0	84.1	85.4	107.0
Jinan	13,874	14,714	16,113	26.3	25.0	26.8	4.6	4.9	5.1	28.3	49.4	58.4
Weifang	18,745	19,403	19,057	18.2	17.5	16.8	4.6	5.0	5.2	23.5	54.5	71.8

[continued]

Anyang	7,340	12,260	13,370	25.1	34.0	28.7	5.8	4.1	4.9	26.6	24.7	45.9
Kaifeng	12,383	12,391	13,456	26.0	24.5	27.7	4.5	3.7	4.7	57.9	78.4	97.4
Luohe	11,911	10,438	13,187	33.8	31.4	31.2	4.8	4.7	4.8	49.1	82.2	94.9
Zhengzhou	14,063	14,274	14,091	31.8	31.8	29.2	4.5	4.9	4.9	35.3	35.6	67.7
Wuhan	14,986	16,100	17,298	18.4	18.4	21.4	4.9	4.8	5.1	24.2	36.7	67.2
Shashi	16,052	17,076	17,342	22.5	18.1	17.5	5.3	5.9	6.2	21.5	31.9	51.7
Xiangfan	13,742	14,443	14,296	25.5	25.5	24.7	5.0	5.1	5.3	23.5	48.6	61.1
Changsha	11,759	11,576	13,228	22.4	20.5	25.4	5.9	6.3	6.5	34.8	65.9	80.6
Hengyang	13,660	12,179	15,740	17.9	19.0	18.1	4.9	5.2	5.5	24.6	55.4	79.8
Guangzhou	16,043	17,814	20,015	34.4	36.1	37.3	4.5	4.9	5.3	36.0	79.6	106.3
Foshan	16,631	19,444	25,897	27.2	26.6	27.2	6.6	7.3	7.5	26.4	43.9	61.5
Jiangmen	15,693	17,633	19,561	32.4	28.7	25.2	4.6	5.7	5.7	29.7	52.6	71.0
Zhanjiang	9,364	7,797	9,836	27.0	18.1	17.4	5.0	4.9	6.6	27.4	66.9	75.8
Nanning	12,514	13,040	13,099	26.0	23.2	23.7	4.0	4.8	4.9	29.9	45.5	67.3
Liuzhou	13,801	14,257	16,480	16.8	20.1	24.8	4.2	4.2	4.3	47.0	59.9	85.9
Chengdu	11,079	12,194	14,657	16.9	22.1	23.3	4.9	5.3	5.5	46.1	76.0	90.4
Chongqing	10,156	11,391	12,650	17.8	20.6	22.4	3.4	3.6	3.8	30.7	45.8	58.8
Guiyang	9,341	11,007	12,860	18.9	18.5	19.8	4.1	4.4	4.5	51.5	61.2	91.8
Zunyi	7,405	7,461	8,521	9.8	10.2	13.7	2.7	4.1	4.1	75.1	61.4	92.8
Duyun	6,613	6,739	6,783	6.0	4.4	6.6	4.2	4.6	3.4	55.3	39.1	62.8
Kunming	13,035	14,142	16,947	27.7	27.4	29.0	5.5	5.9	6.2	33.1	58.8	70.8
Xi'an	10,487	11,503	12,311	14.8	14.3	14.7	4.0	4.2	4.4	24.7	40.9	55.4
Lanzhou	13,218	13,944	14,878	20.4	20.5	21.8	4.5	4.6	4.8	24.4	37.3	64.8
Tianshui	6,646	6,847	7,593	7.3	9.5	11.5	5.0	4.5	4.7	22.9	36.7	40.3
Yinchuan	8,317	10,165	11,422	7.8	12.6	14.6	5.3	5.6	5.9	18.9	45.7	60.9
Xining	8,750	8,416	9,515	4.4	9.5	10.5	4.6	4.8	5.0	40.3	66.3	63.1
Urumqi	6,641	8,833	9,870	10.4	13.4	16.2	4.5	4.8	5.1	26.6	49.6	63.0

Notes: 1. This table covers only cities and municipalities and does not include city-administered counties.

2. Data for labor productivity, and taxes and profits per 100 yuan of funds, are for state-owned industrial enterprises with independent accounting.

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CSO: 4006/572

AGGREGATE ECONOMIC DATA

BRIEFS

ANHUI 1985 ECONOMY--The provincial economy developed in a sustained and comprehensive way in 1985. Compared with 1984, gross social output value increased by 18.3 percent, gross industrial and agricultural output value by 19.3 percent, national income by 15 percent, financial revenue by 29.9 percent, and the farmers' per capita income by 12.9 percent. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 5 Mar 86 OW] /12913

CSO: 4006/807

ECONOMIC MANAGEMENT

LIAONING COMMENTARY ON CONTROLLING CAPITAL CONSTRUCTION

SK050505 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 2 Mar 86

[Station commentary: "Bring the Investment in Capital Construction under Macroeconomic Control"]

[Text] In 1985, our province realized a more than a 40-percent increase in the investment in capital construction over the 1984 figure. However, the proportion of investments in the projects of energy resources, communications, and water sources, which have never been short of funds for investment, declined by 4 percent just because the investment in nonproductive projects and in the construction projects outside the plan was inflated. As a result, the projects whose construction should enjoy priority have not been built on schedule; those that should be put on important positions have not enjoyed the privilege; and those whose construction would have turned out to be benefits have not brought about effects. All of these have lowered economic results and adversely affected the reserve strength in developing the economy.

Such an abnormal phenomenon has shown us that efforts should be made to bring into full play the role of existing financial sources; that it is imperative to enhance macroeconomic control over the scope of investment in fixed assets; and that a good job should be done in making overall arrangements. In referring to enhancing macroeconomic control, some comrades, particularly some leading comrades of the local authorities and the departments have often set the macroeconomic control against microeconomic flexibility, and always attempted to get rid of the macroeconomic control. Thus, they have persisted in contending for investments and projects while paying no attention to the state's repeated injunctions and to the possible objective conditions and only by proceeding from the limited capability of their land. They have violated even the state policy by mapping out the project plans which were not assigned to them in order to induce investments. They spent the funds at will after they obtained the funds for investment, and asked again for money when they were short of funds. They also made trouble when inducing no investments. Under this circumstance, they had no way of expecting the effect of investments, and were reluctant to slow down the speed of building the key projects that have a vital bearing on the situation as a whole, despite the financial shortage. As a result, there has been no progress in building all projects, and there has also been no emergence of new projects.

We should note that, in order to seek a comparative balance in the course of developing the national economy, efforts should be made for a certain period of time to make an overall arrangement and to build the projects in the order of importance and urgency. Otherwise, it is very possible that an imbalance in proportion can be brought to us. Over the past few years, lost of our processing industries have been reluctant to reduce or suspend their production despite the imbalance in porportion in the sectors of raw materials and energy resources, and such a difficult position has not been totally removed as of now. Therefore, enhancing macroeconomic control not only constitutes the current problem that needs to be dealt with urgently, but also represents the necessary law for the task of making a success in economic construction.

In 1986 various cities and prefectures throughout our province will have a certain increase in the investments appropriated by the state and the provincial authorities and in their funds. Therefore, they must think thrice before spending these funds for investments. Though the state of affairs in various localities differs in thousand ways, their identical points should be to proceed from the situation as a whole and to put the party subordinate to the whole. This means that efforts should be made to spend the money for practical usage and to bring the necessary construction projects under macroeconomic control unconditionally.

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CSO: 4006/825

ECONOMIC MANAGEMENT

SHANGHAI'S BUSINESS LEADERS STUDY MANAGEMENT

OW031949 Beijing XINHUA in English 1646 GMT 3 Mar 86

[Text] Shanghai, 3 March (XINHUA)--Leaders of Shanghai's state-owned enterprises are flocking to courses in management theory that have already produced results, local officials said today.

According to the Shanghai Municipal Economic Commission, 24,000 enterprise leaders enrolled in management courses last year, and so far 2,300 of them have passed the required national examination for enterprise managers.

City officials said the most outstanding success in management training has been at the Zhengtai rubber plant, where leaders invited professors from Shangahi Polytechnic University and Shanghai Normal University to lecture on management theory and techniques.

As a direct result, said the officials, the plant established a total quality control system so effective that the plant's tires are much wanted in Europe and the United States--the only Chinese tires to attain export quality.

Zhengtai has earned enough from the exports that the taxes and profits it turned over to the state could build two more rubber plants its size.

As part of China's economic reforms, enterprise management positions in Shanghai are increasingly being filled by people with certified expertise.

According to the Shanghai commission, 83 percent of the 1,100 men and women who hold leading posts in the city's 177 large and medium-sized enterprises have more than high school education--a substantial improvement over past decades.

Yet, city officials said, enterprise leaders tend to come mostly from technical departments--and to have little experience in management.

That accounts for the growth in management training programs begun by the government, universities and enterprises, the officials said.

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ECONOMIC MANAGEMENT

XINJIANG CONFERENCE SETS OUT ECONOMIC TASKS

HK050315 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Mar 86

[Excerpts] The regional economic work conference which concluded today decided that the region's main efforts in this work during the Seventh 5-Year Plan should be focused on strengthening enterprise management and doing a good job in technological transformation. The main goals should be to improve product quality, reduce material consumption, and improve economic results.

The conference pointed out: We must clearly realize that the region's industry and communications enterprises are universally plagued by poor management standards, obsolete equipment, backward technology, poor product quality, high material consumption, and low economic results. In order to solve these problems, this year we must first do a good job in synchronous reforms at upper and lower levels so as to invigorate the enterprises. The regional departments concerned must establish the idea of serving the enterprises and actively create the necessary external conditions for reforms in the enterprises.

The conference stressed: We must further promote and perfect all-round quality control, establish rules and regulations regarding quality, and apply economic and legal measures to grasp quality. It is necessary to set specific targets for checking on an enterprise's consumption of raw materials and energy, and reward them for thrift and fine them for excessive consumption. Everything possible must be done to reduce material consumption.

It is necessary to do a good job in technological transformation and stimulate technical progress.

During the 7-day meeting, Regional Vice Chairman Tuohuti Shabier conveyed the spirit of the national economic work conference, and delivered a report entitled "Carry out reforms in depth, strengthen management, and strive to improve economic results." Zhang Sixue, deputy secretary of the regional CPC Committee, made a report entitled "Seriously implement the spirit of the National Conference of Party Delegates and vigorously step up ideological and political work on the economic front." Regional CPC Committee Secretary Song Hanliang made an important speech. Regional Government Chairman Tomur Dawamat gave a summation.

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CSO: 4006/825

ECONOMIC MANAGEMENT

SICHUAN PAPER URGES IMPLEMENTING CENTRAL DOCUMENT NO 1

HK060209 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 5 Mar 86

["Excerpts" from 6 March SICHUAN RIBAO Editorial: "Work Hard at Implementation --Seriously Study and Implement Central Document No 1"]

[Excerpts] The arrangements of the CPC Central Committee and State Council for this year's rural work have been published in the press. These fully accord with Sichuan reality. The provincial CPC Committee and government have demanded that the party committees and government at all levels seriously study this document and make great efforts to implement it in light of local realities.

In view of Sichuan realities, we must do a good job in work regarding one foundation--grain production--and two pillars--animal husbandry and township enterprises--which are the focal points to be tightly grasped in implementing central Document No 1. To regard grain production as the foundation of agricultrual production is the strategic principle we must uphold for a long time to come. There must not be the slightest slackening of grain production at any time.

Another focal point in implementing the document is to do a good job in developing the rural economy in hilly areas. These areas must take appropriate measures to take advantage of their strong points by readjusting their production structure, organizing primary production, and expanding the export of manpower. In this way the pace of economic development in the hilly areas should be accelerated.

Another focal point to be grasped in implementing Document No 1 is to establish and put on a sound basis various kinds of social service systems and infrastructural facilities.

The editorial says in conclusion: In implementing this document, we must prevent and eliminate the defect of generalized leadership. We must firm up all work for each household in a thoroughly sound way. The busy season of spring farming is now here. The leaders at all levels must go deep into reality and concentrate efforts, time, and personnel for publicizing and implementing central Document No 1 down to each household in the next 2 months.

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ECONOMIC MANAGEMENT

DUALISM OF PRODUCTION RELATIONS UNDER SOCIALISM

Beijing GUANGMING RIBAO in Chinese 14 Dec 85 p 3

[Article by Song Yangyan [1345 7402 8827] and Wang Haidong [3769 3189 2639]: "Double Helix Structure in Property Relations"]

[Text] Experiments have proved that the hereditary substance made up of DNA is a double helix structure, demonstrating to us beyond any doubt that the formation and creation of any form of life with specific characteristics depend upon the combination and association of two hereditary substances.

Does it follow then that similar double helix structures exist in the economic world?

The broad sweep of human social history would suggest that the formation of any kind of production relations is determined by the combination of a particular system of ownership of the means of production with a particular system of ownership of labor. Since there are different combinations of the two systems, there are corresponding intrinsically different production relations.

Human history also shows that both systems of ownership of the means of production and systems of ownership of labor fall into two broad categories: private and public. Private ownership of the means of production, like private ownership of labor, includes three basic forms: ownership by the laborer, ownership by the nonlaborer, and partial ownership by the nonlaborer. Public ownership of the means of production, like public ownership of labor, also includes three basic forms: collective ownership, social ownership, and partial public ownership. To illustrate our point, let us make X represent a system of ownership of the means of production, and X_1, X_2, X_3, X_4, X_5, and X_6 the six basic systems of ownership of the means of production: private ownership by the laborer, private ownership by the nonlaborer, partial private ownership by the nonlaborer, collective ownership, social ownership, and partial public ownership. Let us also make Y represent a system of ownership of labor and Y_1, Y_2, Y_3, Y_4, Y_5, and Y_6 the six basic systems of ownership of labor: private ownership by the laborer, private ownership by the nonlaborer, partial private ownership by the nonlaborer, collective ownership, social ownership, and partial public ownership. By matrix multiplication, we can work out all the possible combinations of the two systems of ownership.

Assuming that X_1, X_2, X_3, X_4, X_5, and X_6 are the row vector and Y_1, Y_2, Y_3, Y_4, Y_5, and Y_6 the column vector, we obtain:

$$\begin{pmatrix} Y_1 \\ Y_2 \\ Y_3 \\ Y_4 \\ Y_5 \\ Y_6 \end{pmatrix} (X_1, X_2, X_3, X_4, X_5, X_6) =$$

$$\begin{pmatrix} X_1Y_1 & X_2Y_1 & X_3Y_1 & X_4Y_1 & X_5Y_1 & X_6Y_1 \\ X_1Y_2 & X_2Y_2 & X_3Y_2 & X_4Y_2 & X_5Y_2 & X_6Y_2 \\ X_1Y_3 & X_2Y_3 & X_3Y_3 & X_4Y_3 & X_5Y_3 & X_6Y_3 \\ X_1Y_4 & X_2Y_4 & X_3Y_4 & X_4Y_4 & X_5Y_4 & X_6Y_4 \\ X_1Y_5 & X_2Y_5 & X_3Y_5 & X_4Y_5 & X_5Y_5 & X_6Y_5 \\ X_1Y_6 & X_2Y_6 & X_3Y_6 & X_4Y_6 & X_5Y_6 & X_6Y_6 \end{pmatrix}$$

The 36 combinations above constitute an interval of all possible production relations, including all production relations which have appeared in history. For instance, the production relations of a primitive commune is X_4Y_4, while those of a slavery system, a feudal system, capitalism, and socialism are X_2Y_2, X_2Y_3, X_2Y_1, and $X_4Y_6 + Y_5Y_6$, respectively. It can be foreseen that the production relations of communism in the future must be X_5Y_5. Throughout history, however, from the slavery system to the socialist society, there have also existed subordinate production relations which did not become the mainstream and hence not important enough to determine the nature of society. One example is small production (X_1Y_1). Our scheme above also includes the five economic forms, or production relations, which appeared in the transitional period, as well as the seven or eight economic forms and economic relations existent in our present stage of development.

It can thus be seen that when we study any particular system of production relations in society, it is not enough for us to concentrate on systems of ownership of the means of production alone. We must also take into account the systems of ownership of labor, paying particular attention to the concrete form they take and their combinations during any specific stage in history. Human history proves that the two systems evolve and transform at different paces and that their evolution and transformation follow different patterns. But instead of each going its own way, they interact with and condition each other. Changes in one system lead to changes in the other, resulting in changes in production relations itself.

Undeniably, labor cannot forever be owned privately by the laborer under socialism; private ownership of labor must change. But this process of change is necessarily a long and natural one which takes place generally on the basis of the public ownership of the means of production. Promoting this change are three factors. First, the development of productive forces, which reduces labor differences, particularly those between physical and mental labor. Second, the gradual shift of the costs of production and reproduction from the laborer and his family onto primarily the state and society. Third, the rising

socialization of production forces organized in different joint labor associations. For society as a whole, however, we can say that only the partial public ownership of labor has been achieved.

It is precisely the fact that only the partial public ownership of labor is attainable under socialism which gives rise to an inevitable dualism in economic interests in all economic activities. In production, for instance, a laborer must join hands with other co-owners of means of production and work together for the good of society. On the other hand, as a partial owner of labor, he must be paid remuneration commensurate with the labor he puts forth, which embodies his personal interests. The combination of the public ownership of the means of production and the partial private ownership of labor is indicative of the immaturity and transitional nature which characterize socialist production relations and are their very essence.

In short, only by recognizing the double helix structure in systems of ownership can we demonstrate theoretically many longstanding knotty problems in economics. Only by recognizing the existence of partial individual ownership of labor even under socialism can we successfully tackle such issues as distribution according to work and respect for the labor rights and interests of laborers. And only then can our economic policies rest on a scientific and feasible theoretical basis.

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CSO: 4006/572

ECONOMIC MANAGEMENT

XINJIANG STEPS UP AUDITING, FINANCIAL EXAMINATION

HK050155 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Feb 86

[Text] In 1985 auditing organs at all levels in the region conducted a region-wide financial discipline examination with correcting new malpractices as its main content, achieving remarkable results. Since the beginning of last year, auditing organs at all levels in the region chiefly audited units in eight trades, including water conservancy, mechanical building, forestry, communications, and goods supply, and examined some units which violated financial discipline, by embezzling state revenue, evading tax payment, misappropriating, squeezing and transferring funds, and arbitrarily issuing money and material objects. In the 2,049 units examined and audited, some 115.53 million yuan involved in various cases of violation of financial discipline have been verified, of which some 31.82 million yuan have been submitted to the state treasury, accounting for 56 percent of the money involved.

A regional auditing work conference was held from 20 to 27 February. The conference affirmed the achievements the region made in last year's auditing work and made specific arrangements for this year's auditing work.

The conference pointed out that in doing this year's auditing work, it is necessary to earnestly implement the policy of grasping focal points and laying down a good foundation, to safeguard financial discipline, and to audit deliberately and in a planned way some large and medium sized enterprises, finance and tax departments, capital construction projects with funds raised by people, projects funded by the world bank, trust organizations of all professional banks, administrative institutions, and the executive organs which have the right to collect fees or fines, so as to ensure the smooth progress of the region's economic reform.

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CSO: 4006/825

ECONOMIC MANAGEMENT

TIANJIN MAYOR ON URBAN, RURAL REFORMS

SK050100 Tianjin TIANJIN RIBAO in Chinese 5 Feb 86 pp 1, 3

["Excerpts" of speech by Li Ruihuan, deputy secretary of the municipal CPC Committee and mayor of the municipal government, delivered at the Tianjin Municipal Rural Work Conference on 1 February 1986: "Enthusiastically Explore Ways for Linking Urban Reform With Rural Reform in an Effort To Upgrade the Work of Serving Cities and Making the Peasants Rich to a New Level"]

[Text] Today, I would like to concentrate my speech on the issue concerning how to form a good connection between the urban and rural reforms in an effort to upgrade the work of serving cities and making the peasants richer than before. This can be regarded as the continuation of my last year's speech on "Vitalizing the Rural Areas and Talking About the Changes in Rural Areas."

Why do I talk about this issue? It is because this is the most prominent task set forth in the course of reform as well as a question which the people on all fronts show most concern with although they hold completely different opinions. Just as everyone knows that the rural reform is developing constantly and extensively and the urban reform has comprehensively been carried out; thus, these two reforms have become more closely related to and have more prominently conditioned each other. So, it is impossible to solve some problems or to extensively carry out the reform if we do not form a good connection between the urban and rural reforms in the course of practices. Earnestly and conscientiously studying and conducting the practice concerning the forming of a good connection between the urban and rural reforms has become an urgent task of extreme importance. I hope that all of you will work hard in order to make greater progress and breakthroughs in this ragard. I am going to set forth several opinions in the following three fields:

1. Clearly Understand the New Characteristics Cropping Up in the course of Reform

Over the past few years, in particular since last year, our municipality has entered a new important stage of urban and rural reform. Since the urban reform has been carried out more extensively, thoroughly, and comprehensively, we have made advance with big strides with regard to the reform of the ownership structure, the distribution system, the enterprise management system, the ciruclation system, and the external economic system. Along with the completion of the first-stage rural reform with a focus on establishing

and perfecting the system of contracted responsibility on the household basis with payment linked to output, the second-stage rural reform focusing on promoting the development of commodity production has begun. The new progress in the urban and rural reforms has brought about the entire economic activities many new tasks and characteristics, which are fundamentally different from those of the past.

First, after abolishing the system of state monopoly for purchasing agricultural and sideline products, and the system of fixed quotas for purchasing the agricultural and sideline products, some comrades held that "They could freely handle their products under the tight system of the past, but now that they have been given a free hand in their work they do not know how to handle their products." Instead of assigning the tasks of purchasing agricultural products to the peasants on the basis of the system of state monopoly for the purchases and the system of fixed quotas for the purchases, last year, the state began to carry out the systems of contracted purchases and market purchases for the agricultural products, except for some special varieties. After this reform, the peasants have been given real decision-making power to production and exchange, and fast results have been made in enlivening the rural economy and vitalizing the urban and rural markets. But, after reform, the people failed to immediately adapt themselves to the new systems for they had carried out the previous systems for a long time. On the one hand, some peasants did not know what course they should take and some were blindly engaged in production for they were accustomed to developing productioon in line with mandatory planning or they failed to seize the market information or to grasp the trends of supplies and demands; on the other hand, after abolishing the mandatory planning, the urban and rural areas had no effective methods for guiding the peasants' production and achieving the market supplies with the state planned market mechanism. This is a new question on how to gradually establish the means for coordinating and giving macrocontrol over the rural commodity economy under the circumstances of safeguarding the peasants' decision-making power to production, and making the rural economic development be geared to the needs of the urban markets as well as serve cities that are worth studying.

Second, after relaxing control over the prices of farm and sideline products, we came across contradictions in stimulating production and stabilizing commodity prices. "Exercising rigid control over prices of commodities would arouse complaints among peasants and relaxing control over the prices would also arouse complaints among the urban people." Last year, our municipality relaxed control over the purchase and selling prices of several major nonstaple foodstuffs and implemented the methods of free marketing and transactions, organizing production and sales of products according to market demand and price changes, and fixing the prices according to the quality of products. This important reform has directly stimulated production and circulation and played a very good role in promoting the implementation of the policy on "serving the city and making the peasants prosperous." However, we have come across many problems and the most prominent one is, after we have relaxed control over prices, what we should do in order to stimulate production, and guarantee a stable market and commodity price. At present, some commodities are allowed to be sold freely on markets by peasants or be wholesaled by individual traders, thus forming a situation in which individual

business units are competing with the state commercial units. Actually, such a situation is good. However, since the systems of the state commercial units fall short of what is required of the situation, the sources of some products are inadequate. Together with various heavy burdens and the lack of market competitiveness, the state commercial units, for a period of time, have had difficulties in stabilizing commodity prices during the off seasons and peak periods. This has caused the prices of some commodities to rise. Under the situation in which the market prices have fluctuated, the state has no choice but to continuously adopt the method of giving subsidies. Another problem is that the prices of some farm and sideline products such as eggs have dropped because of the upward trend in production. This has directly affected the enthusiasm of the producers. These situations show that once we have relaxed control over prices, it is very difficult for us to both fully display the role of prices as an economic lever, to stimulate production, to vitalize circulation, to better develop the commodity economy, and to realistically safeguard the interests of both the consumers and the producers and to manifest the planned commodity economy. But such a problem must be solved and it needs our efforts to study and find out the solution conscientiously.

Third, after further readjusting the rural production setup, the problem of "having no courage to readjust the production setup for fear of danger and risks and readjusting it in a blind manner" has emerged in some localities. Over the past few years, in line with the principle of "serving the city and making the peasant prosperous," the rural areas have readjusted the production setup in accordance with local conditions, and made a big stride forward last year. The total output value of the primary industry which has mainly focused on agriculture, dropped from 31 percent in 1984 to 28 percent. The output value of the secondary industry which has mainly focused on the processing of products and the tertiary industry which has mainly focused on the service trades has rose respectively from 69 percent to 73 percent. Among the five industries of agriculture, forestry, animal husbandry, sideline occupations, and fisheries, forestry, animal husbandry, sideline occupations, and fisheries developed rapidly and the proportion rose. The large-scale development in the readjustment of the production setup has set higher demands on linking up the urban and the rural areas and on coordinating them and has set forth new requirements for coordinating the development of the five industries in the rural areas. At present, due to an inadequate communications setup between the urban and the rural areas, comrades of some suburban counties have failed to clearly understand the needs of long-term development in the urban areas and have hesitated about what move to make in the course of defining the readjustment orientation and overall arrangements. Some have failed to consider serving the city as the readjustment orientation. They have sought quick success and instant benefit, paid attention to immediate interests, and acted blindly. Recently, many incidences occurred because of such blind actions, incurring serious economic loses. These situations show that the readjustment of production setup in the rural areas, particularly in the suburban counties in such a large municipality as Tianjin should be first considered in line with the needs of the urban areas and the overall situation of urban development. In order to make the urban areas consider the suburban counties and the rural areas as their own bases for development, the rural areas should take the needs of the urban areas as their own developmental direction, and consider the urban and the rural areas as an entity in the

course of studying their own status and role, and through linking up reforms in the urban and rural areas, achieve simultaneous progress in both the urban and the rural reforms and ensure a coordinated development in the urban and rural areas. Both the urban and the rural areas should fully study and clearly understand such a problem.

Fourth, after the improvement of rural productivity, the number of surplus laborers increased with each passing day. A success in organizing these surplus laborers would create great wealth, while a failure in finding a way out for these surplus laborers and in organizing them would turn them into a big burden. It is an inexorable trend and a manifestation of social development that some rural laborers do not engage in agricultural production. A great number of peasants have abandoned planting over the past few years. At present, nearly 900,000 people are engaging in processing and service industries, including developing township enterprises, accounting for 52 percent of the total rural laborers. In the future, following the continuous improvement of productive forces, such a trend will continue to develop. How to enable these laborers to have their own jobs and income and to play a greater role will be a major problem that we will face for a long period of time, and also a strategic issue that leading persons at all levels in both urban and rural areas, in particular those at the municipal level, should attach importance to and study.

Fifth, after the development of the rural commodity economy, circulation became a conspicuous problem. A success in solving this problem would stimulate the development of the commodity economy, while a failure in it would restrain or bring chaos to the developing of commodity economy. The commodity rate of our municipality's rural economy has reached 73 percent; specialized and key households engaging in commodity production have increased to more than 46,000; and the number of various economic associations has reached more than 7,000. Such multilayered commodity production calls on us to establish corresponding circulation systems and networks, and necessary circulation facilities and means. However, supply and marketing cooperatives, rural trade fairs, and urban markets of farm products are the major units which shoulder the task of rural commodity circulation. Both their scale, processing, storage and transport capacities, and other circulation facilities, and their purchasing and marketing operational measures can be far from satisfying rural demands. Because of this, many peasants had to embark on production, storage, transport, and marketing, and their difficulties became all the more conspicuous, hence an abnormal phenomenon in which some commodities which were in short supply in urban areas could not be sold easily in rural areas. Mature opinions on solving this problem is still lacking, but we can see that this problem lies not in the development of the rural commodity production but in the incoordination of the circulation between urban and rural areas.

Sixth, after strengthening macroeconomic control, township enterprises faced new tests. A success in handling these tests would help improve their economic results and strengthen their vitality, while a failure in it would bring setbacks and losses to them. Last year, our efforts in strengthening macroeconomic control achieved very good results in eliminating the unstable factors in the economy, and solving the problem of the general social demand

being larger than the general social supply. They also played a very successful role in preventing ill-considered development of the rural economy, in particular township enterprises, and promoting the improvement of operation and management. This year the macroeconomic control will be strengthened and improved continuously; investment in fixed assets will not increase and will even be reduced; and the funds, energy, and raw material supply will remain rather strained. Such a situation will affect township enterprises to varying degrees. In addition, the invigoration of urban industrial enterprises, and the readjustment of the taxes of township enterprises create new challenges to the development of township enterprises. There are two alternatives for township enterprises. The one is to rationally readjust their production setup and product mix in line with the new situation, shift their efforts from seeking higher output and output value to paying attention to management, technology, quality and economic results, increase their competitive edges, and achieve stable development. The other is to invest blindly and expand their scales in disregard of the changed situation, and fail to carry out normal production or have difficulties in continuing their production due to the restriction of various conditions, thus causing serious economic losses. We should pay attention to the latter.

Seventh, after further opening to the outside world, both agricultural and trade departments wanted to expand the exports of farm and sideline products, but their initiative has yet to be truly unified. With a port city in their back, suburban counties of our municipality possess superior conditions in geography, resources, economy and technology, and great potential for exports, and the enthusiasm of peasants is also very high. After a few years of development, foreign economic relations and trade of these countries have taken shape roughly. Judging from the overall situation, however, the development is not rapid enough, and their superior conditions have yet to be fully developed. Some peasants wanted to export more but are afraid of running risks. Some localities had abundant goods resources but had difficulties in exporting them. At times, there was a phenomenon in which "somebody would press for the supply of goods when it was slow, and would cut it down when it was excessive," thus dampening the enthusiasm of peasants, and adversely influencing the development of foreign trade in rural areas. The key problem to this is that the current foreign trade system does not suit well the characteristics of the rural export-oriented production, and fails to embody the principle of sharing the risks equally by both parts, and that agricultural and trade departments do not have stable and coordinated relations. Therefore, we should regard this problem as an important aspect of the connection between urban and rural reforms, and should study it.

Eighth, after peasants achieved an affluence through science instead of diligent labor as in the previous period, obstacles blocking the technology circulation between urban and rural areas became all the more salient. Peasants have a very vivid description: The driving force of the "first rocket"--contracts on a household basis--is drawing to an end, and in the future the "second rocket"--science and technology--should be relied on in stimulating agricultural development. Now peasants are adopting various measures to recruit talented people and purchase technologies through various channels. This would provide very favorable conditions for expanding the rural science and technology market, and strengthening urban-rural

technological exchanges. However, because of the problems in systems, which hinder the great number of scientific and technical personnel from going to the rural areas, and the scientific and technological findings from flowing to the rural areas, the rural areas cannot be supplied with sufficient science and technologies, and the scientific and technological forces in urban areas cannot be fully developed. Whether we can solve this problem has a great bearing on the future rural development. We should conduct conscientious study on such a task: Through reform of the current scientific and technological structure, how to make science and technology better suit the needs of the rural areas, and develop the rural economy toward specialized, commodity, and modernized production.

Ninth, reforms brought about improvement in the people's living standards, and also new demands on consumption, but we failed to conduct adequate study of and adapt ourselves to the changes in urban and rural consumption patterns. As far as the suburban counties are concerned, they not only demand more but also higher-grade manufactured goods. Like urban areas, rural areas have lost interest in the "old three pieces," are still enthusiastic about the "new three pieces," and begin to take an interest in the "three gold pieces" (rings, earrings, and necklaces), and a tendency of urbanization of rural life has appeared. Judging from the current situation, however, our supply of manufactured goods falls far short of the demands of rural markets, and many problems still exist in wholesale, marketing, and other links. For example, among the manufactured goods delivered to the rural areas, there is more unrefined goods and less refined goods, and more popular goods of average quality and less goods in short supply. This cannot satisfy the needs of peasants. Judging from the situation of urban areas, people demand more and more refined nonstaple foods, and lay more and more stress on nutrition. They look for lean meat, fresh eggs, live fish and tender vegetables, and begin to demand packed, intensively processed foods of various specifications. However, many people in the rural areas have not paid full attention to such a change in urban people's lives, and our circulation channels also fail to suit these characteristics. This means that production and distribution have not been carefully attended to, resulting in such a situation in which the rural areas fail to earn the money they should have, and the urban areas cannot eat the foods they want to eat; many fresh, tender and live commodities become spoiled, tough and dead commodities; and both producers and consumers have complaints. A breakthrough should be achieved in solving this problem through the connection between urban and rural reforms this year.

Tenth, along with the deep development of rural reform, the trend of peasants asking for service and coopertion has gradually become clear. After the rural areas successively carried out the management system reform and the purchasing and marketing system reform, each and every household has been allowed to form an economic entity or to become a relatively independent commodity producer and distributor. Unlike the natural economy, the commodity production demands increasingly elaborate division of labor and increasingly higher socialization. A household cannot deal with or handle well the affairs in many fields, and the commodity producers do not have time or energy to engage in other activities except for production. Thus, they should develop various forms of cooperation by asking the society to offer them the service before, during, and after production. But, the socialized service organizations and

mechanism cannot meet the demands of the current situation. This has greatly interferred with the development of various forms of specialized households. This problem will become more and more prominent along with the ceaseless development of the commodity economy. Under this situation, we must strengthen our studies in this regard, and simultaneously enhance our studies concerning the types, scales, and methods of cooperation. In short, through ceaselessly exploring ways and summing up experiences, we should correctly grasp the peasants' demands for the cooperative economy, and discover, support, and spread the types of cooperation which the vast number of the peasants ask for.

What I mentioned above is the new characteristics and problems cropping up in the course of linking the urban reform with the rural one. It is difficult to avoid the occurrence of these problems in the period when the old and new systems coexist and when the old is being replaced by the new. In order to ensure a smooth progress of the urban and rural reforms, we must pay attention to these new characteristics, and study the problems cropping up in the course of linking the urban reform with the rural one.

2. Enthusiastically Explore New Ways for Linking the Urban Reform With the Rural Reform

In the old society, the relations between the urban and rural areas were opposite to each other. Since the founding of the PRC when we established the new-type socialist relations between the urban and rural areas, greater development has been made in the worker-peasant alliance and the mutual cooperation between the urban and rural areas. However, the problems concerning policies and systems caused by the "leftist" influence interferred with the development of the commodity economy, and separated the urban economy from the rural economy. So, a dual structure was formed. At present when we link the urban reform with the rural one, many original forms and methods for linking the urban areas with the rural ones, including the people's thinking and habits, cannot meet the demands of the current situation. The objects to be linked have changed, so we should comparatively change the forms and methods for linking the urban areas with the rural ones. As this is an extremely complicated problem, we must spend a long period of time to change the forms and methods in a step-by-step manner. Therefore, in the course of practices, we should ceaselessly make explorations, timely sum up experiences, and make efforts to explore new ways for linking the urban areas with the rural ones which should suit the demands of the new situation of carrying out the urban and rural reforms.

First, we must have a clear understanding of the connections between the urban and rural reforms. Many problems exist concerning the ideological understanding. I am going to set forth three basic issues.

1. With regard to linking the urban reforms with the rural ones, we must foster an idea of commodity exchange. The basic orientation for the reform of the urban and rural economic systems is to develop a socialist planned commodity economy on the basis of carrying out the public ownership system. Thus, the way for linking the urban areas with the rural ones has changed from that of the urban areas giving free aids to the rural areas and the rural

areas allocating and transferring their products to the urban areas into one of the urban and rural areas exchanging commodities with each other. The urban areas should make efforts to make their industrial products more suitable to the demands of the rural areas, and the rural areas should strive to make their agricultural and sideline products more suitable to the demands of the urban areas. We should make efforts to develop the commodity exchanges with a view to attaining the goal that the urban and rural areas are closely related to each other, mutually cooperate, and coordinatedly develop.

2. In developing production, we should foster the viewpoint of catering to market needs. The production of commodities should be based on market needs and it should have a broad market. Without markets, it will be impossible for us to sell the commodities and to carry out reproduction. The basic purpose of our socialist commodity production is to try our very best to satisfy the increasingly growing needs of the people's material and cultural lives. Neglecting market needs and producing commodities blindly will not only make the commodities lose market and the value of usage, but will also make us unable to attain the purpose of satisfying the needs of the people. Our suburban counties and rural areas have very favorable conditions for developing commodity production because they are located near the large city and market of Tianjin. We should fully use these favorable conditions and rapidly develop the rural commodity economy. Meanwhile, the urban areas should also study ways to unceasingly improve the markets in the suburban counties in order to meet the needs of the rural production development and improvements in the people's livelihood.

3. In developing the rural economy, we should foster a viewpoint of an overall development. The three slogans put forward by the central authorities which state that "there will be no stability without agriculture, no prosperity without industry, and no vitality without commerce" are absolutely in conformity with the reality of our country and are the only way for developing socialist modernized agriculture with Chinese characteristics. Practice shows that the long-standing method of one-crop farming is unfavorable for development. We should organically combine the three slogans together, make them promote and supplement one another, and prevent them from opposing and rejecting one another. Our municipality's suburban counties and rural areas have their own advantages and good prospects for achieving comprehensive operation in the agricultural, industrial, and commercial sectors and in developing the primary, secondary, and tertiary industries in a coordinated manner. Recently, our state farms have run some agricultural, industrial, and commercial joint enterprises and the breakthroughs in comprehensive development have shown this point fully.

Second, we should study the policies on connecting urban reforms with rural reforms. The urban and rural reforms are related to a series of policy issues of which the key issue is the price issue, because it has a vital bearing on how to correctly handle the interests among the state, the collective, and the individuals, and the interests between the urban and the rural areas. In the course of studying the price issue, we should strive to achieve the following:

1. We should safeguard the interests of the producers. In urban reform, we should maintain stable prices and guard against exercising over-rigid control

over the prices of farm and sideline products or excessively forcing the prices down. Otherwise, it will make the peasants feel that they have no way of making profits and earning money, dampen the enthusiasm of the producers, hinder the development of the commodity economy, and finally bring difficulties to urban supplies.

2. We should safeguard the interests of the consumers. We should vitalize and give a free hand in rural reforms. However, we must also not absolutely ease control over the prices of farm and sideline products and excessively raise the prices of products. Otherwise, it will exceed the ability of the people in cities and towns, create a sagging market, and finally affect the development of the rural commodity economy.

3. We should give consideration to our financial ability. Through proper methods, we should ensure that the producers will not gain less and the consumers will not spend more. We should stabilize and enrich the markets and should not just rely on financial subsidies. Before reforming the prices, our municipal city's urban residents each received a monthly subsidy of 7.5 yuan. Such a sum reached more than 200 million yuan a year. The subsidies given to the rural areas and the commercial sector have not been basically reduced. The state has already given its best efforts. It is hard for the state financial department to give more subsidies. After the implementation of the financial contract system in our municipality in particular, the local financial department no longer has such a large financial strength. In addition, one of the important purposes of price reform is to give financial subsidies openly instead of covertly. If we increase the amount of open subsidies and fail to reduce the covert ones, we will return to the old beaten track and lose the meaning of reform.

Third, we should explore new ways to connect urban and rural reforms. The key is to unclog the circulation channel, and improve purchasing and marketing measures. In line with the guidelines of the central authorities, we should study ways to change the original circulation system of unified commodity purchase and supply according to administrative divisions and levels into an open, multichannel circulation system with fewer intermediate links, and establish a crisscross circulation network that extends in all directions of urban and rural areas. Based on our practice and experiences gained over the past few years, and the opinions that everyone gave at the specialized forums of this conference, a major method for successfully connecting urban and rural areas, and agricultural and commercial departments is the contract system. As a good method to link state plans with producers, the contract system can bring the peasants' production, purchasing, and marketing activities onto the track of a planned commodity economy, more successfully link peasants' production with market demands, give guidance to production, and stabilize supply. To be more specific, commercial departments should set forth the quantity, quality, variety, specifications, and time for the supply of vegetables, meat, poultry, eggs, and other major nonstaple foods in line with market demands. Based on the production capacity of the suburban counties, agricultural departments should set forth the supply tasks they can shoulder, conduct negotiations with commercial departments on the prices, and sign contracts with them for a guaranteed supply. If the supply cannot satisfy demands, commercial departments should be responsible for purchasing the

inadequate amount to ensure market supply. Contracts have legal effect and, once signed, should be strictly abided by all contracting parties. Those who violate the contracts should hold political and economic responsibilities. To establish links between urban and rural areas, and between agricultural and commercial departments, we should adopt more measures in addition to the contract system, and increase new channels. For example, we should develop various forms of associations, and establish, on a trial basis, some new-type commercial enterprises which link agriculture with industry, link agriculture with commerce, or link agriculture, industry, and commerce. By providing funds and technologies, urban commercial departments may cooperate with rural areas to experiment with running various types of nonstaple food production bases. Urban food industrial enterprises may also establish direct ties with rural raw material production areas, and enjoy direct supply of raw materials from production areas. Communications and transportation departments may cooperate with peasants to run joint transportation companies on a trail basis to transport farm and sideline products. Commercial departments should set aside some room in their cold storage, warehouse, motor pool, and other facilities, and gear them to the needs of society. Anyone who uses them should pay for them and fully develop their benefits.

Also for example, we should expand the direct supply of farm and sideline product by producers to marketing departments. Commodity producers may establish direct ties with urban consumption units and commercial retail departments, and supply them on a regular basis. Rural commercial departments may purchase scattered commodities, and supply them to urban consumption units and retail departments. Urban enterprises and units may purchase farm and sideline products directly from rural areas where they are produced.

For the third example, we should open up trade markets of various categories and various scales. We may build farm and sideline product markets, trade depots, and trade centers in places where urban and rural areas join and in large market towns in a planned manner. We may also open up more farm product markets in urban neighborhoods, and open the city door wide to provide conveniences for the marketing of farm and sideline products in the city.

At the same time, we should also fully perform the function of supply and marketing cooperatives in rural commodity circulation. Sixty percent of the purchasing volume of farm and sideline products of suburban counties and 70 percent of their commodity retail sales volume are operated by supply and marketing cooperatives. In the future, we should truly turn supply and marketing cooperatives into commercial units of the masses, and turn them from organs doing business alone into comprehensive service centers providing conveniences for the development of the rural commodity production.

Fourth, we should adopt various means which are favorable to connecting urban and rural reforms. Judging from the trend of development in the reform of the economic structure, we should change the direct control, which has mainly stressed administrative means, into an indirect control, which has mainly stressed economic means. That means that we should apply the policies on prices, tax revenue, credit, and distirbution to regulating production and circulation and do a good job in linking the urban and rural areas. At present, the process of replacing the old systems with new ones is proceeding.

Since all economic means are far from being perfect and coordinated, relying mainly on economic means will not work. We should comprehensively apply ideological, administrative, economic, and legal means. The reason why we must stress the application of ideological means is that the fundamental purpose of reform is to build socialism with Chinese characteristics. Therefore, we should always adhere to the four basic principles; conduct education on "ideals, morality, culture, and discipline; enhance the thinking of the people;" and consciously subordinate the part to the whole and the immediate interests to the long-term interests in the course of handling the relations of profits in the economic sectors which have emerged in reform. The reason why we have stressed the application of administrative means is that the current system of indirect control is imperfect. Therefore, the administrative means must not be weakened. Even when the indirect control system will be improved in the future we will also adopt necessary administrative means to handle some major problems related to the national economy and the people's livelihood for what we are implementing is a planned commodity economy. The reason why we have stressed the application of legal means is that only by improving the various economic legislation can we protect legal operation, restrict illegal businesses, punish violators of laws, and ensure a coordinated and a sound development in the urban and rural economy.

Fifth, we should establish research organs for connecting the urban and rural reforms. Connecting urban and rural reforms is a new issue and a realm of necessity unknown to the people because many things have not yet been proven through practice. Therefore, it is necessary to establish a research organ for studying urban market needs; the rural production setup and scope; and the systems, policies, and forms of commodity exchange between the urban and rural areas, and to coordinate all fields of work well. In establishing such a research organ, we should regard the urban and the rural areas in Tianjin as an entity for research; proceed from the overall viewpoint of developing all of Tianjin; guard against treating and studying a problem with a one-sided viewpoint of the city or the rural areas; give dual consideration to the situations, needs, and interests of both the urban and the rural areas; and find a new road linking the urban and rural areas which can meet the needs of developing the urban and rural areas in a coordinated manner.

All in all, a good job in connecting the urban and rural reforms is not only a major practical problem but also a major theoretical problem. It is not only an immediate problem but also a long-term problem. We hope that all comrades will continue to explore and sum up experiences in the course of practice.

3. We Should Adhere to the Orientation of "Serving the City and Making the Peasants Prosperous"

I touched on the principle of "serving the city and making the peasants prosperous" at the rural work conference held in 1984 and on "the prosperity and changes in the rural areas" in 1985. In substance, I touched on how to better serve the city and make the peasants prosperous through reform. Today's speech is also aimed at upholding and implementing this principle. That means, under the new situation of deeply carrying out reform, we should

improve the work of serving the city and making the peasants prosperous through linking the urban and rural reforms.

Linking the urban and rural reforms and the principle of "serving the city and making the peasants prosperous" constitute a dialectical unity. Serving the city and making the peasants prosperous is the orientation, basis, and criterion for linking the urban and rural reforms. In other words, all urban and rural reforms should be subordinated to and serve this principle and should not neglect or even deviate from this principle. Furthermore, the principle of serving the city and making the peasants prosperous should be realized in the course of linking the urban and rural reforms and carrying out a whole range of reforms. The work of serving cities and making the peasants rich demands the cooperation between urban and rural areas as well as the connection between the urban and rural reforms. Only by so doing can the rural areas have an orientation and find good markets for commodity production, earn profits from it, and attain the goal of becoming rich. Only when the urban areas have reliable sources of foodstuffs provided by the rural areas, can the livelihood of the people in urban areas be stabilized, a social environment characterized by stability and unity be maintained, the smooth progress of reform be ensured, and urban economic development be promoted. The urban and rural reforms are mutually conditioned and promoted. Therefore, we must pay attention to the following few questions in the course of studying the ways for linking the urban and rural reforms.

First, in order to becme rich, the rural areas must study ways on how to serve cities. Practices have proven that many rural areas have become rich through serving cities over the past few years. By serving cities, the rural areas should mainly make efforts to provide the cities with increasingly more agricultural and sideline products. Only when the rural areas have a profound understanding of the demands of the urban areas and have closer contacts with the urban areas, can they adapt to the new situation of urban reform, can development of rural commodity production be accelerated, the scale of commodity production be expanded, and the peasants become increasingly richer. Last year, the per capital income of the people in the rural areas of the municipality reached 601 yuan, an increase of 19.2 percent over the previous year. Why was the income of the people in the suburban counties of Tianjin Municipality much higher than the average income level of the nation's rural areas? One reason for this was that Tianjin's suburban counties, near big cities, aimed to serve these big cities. So far, the rural areas still fall far short of how they should serve the cities because of their failure to provide a wider range of services to the cities; some cities are not even being served by them at all. Cities with a great deal of money and people have a stronger purchasing power; in particular, their consumption structure is becoming increasingly more multifarious with each passing day. Their people have increasingly higher demands for expensive goods. Thus, they still have many problems concerning sources demand. All this clearly shows that the rural areas still have great potential to serve the cities. So, the broad masses of the cadres and people in rural areas should make efforts to study the issue concerning providing service in order to become rich and seeking prosperity in the course of service.

On vegetable supplies: We should strive to provide each person with .5 kg of fresh vegetables every day, strive for an ample supply of various fresh, tender vegetables in the off seasons, and avoid waste during peak periods.

On egg supplies: This year, we should strive to provide each person with 19 kg of eggs and stirve for an ample supply of eggs; in particular, fresh eggs, in both off and peak seasons.

On meat supplies: This year, we should make efforts to increase the supplies of beef, mutton, and lean pork under the circumstances of satisfying the needs of the markets and strive for a general supply of lean pork within three years.

On fish supplies: This year, we should strive to provide each person with 13 kg of fish, strive for a supply of various live sea and freshwater fish, and strive for an increasing supply of good fish. We must certainly realize the fighting goal of "working hard in order to basically get rid of the people's difficulties in getting fish in three years" set forth by the municipal government last year.

While grasping the supply of the above-mentioned principal foodstuffs, we should also pay attention to grasping the production and supply of milk, melons, fruits, food, drinks, condiments, and processed food. This is what the cities have asked the rural areas to do for them, and should be regarded as a task assigned to the rural areas by the municipal CPC Committee and the municipal government. Simultaneiously, the rural areas should regard it as a goal for seeking prosperity. The people on all fronts should make concerted efforts to ensure the realization of this goal.

Second, cities must study ways on how to support the rural areas in order to make progress. Through forming a good connection between the urban and rural reforms, the cities should help the suburban counties stand in the forefront of the four modernizations drive and support them to become rich ahead of others. This is a task assigned to the large and medium-sized cities by the central authorities as well as a condition of fundamental importance for urban development. In order to promote urban economic development, we should pay full attention to the vast rural areas, in which 80 percent of the total population of the entire country lives, and be geared to the needs of the vast domestic markets. If the rural commodity economy is not well developed and the peasants are not rich, the supply of industrial raw materials and the sales of products will be greatly restricted and a greater development will be hard to achieve. Since the suburban counties near the city are the nonstaple food supply bases of the urban areas, therefore, the improvmeents in the people's livelihood, the vitality of the urban markets, and even the excellent situation of stability and unity are greatly dependent on the situations of the suburban counties and the rural areas. The reform of the urban economic structure, in particular, needs an even greater and closer coordination with the rural areas. Last year, our municipality reformed the pricing system of nonstaple food. Thanks to the support of the rural areas and the efforts of the commercial departments, the markets and the commodity prices were kept basically stable, and a smooth progress in reform was guaranteed. This is very convincing proof.

The development of rural production and the wealthy livelihood of peasants depends on cooperation in urban support and reforms. If the urban areas give better support to the rural areas, the rural areas will develop more rapidly, and the conditions for the rural areas to serve the city will be more adequate. Therefore, supporting the rural areas also means supporting the urban areas. How should the urban areas support the rural areas? In short, we should manage things in accordance with the law governing the commodity economy and maintain the practice of mutual benefits and exchange of equal value. However, as a socialist city, it should help the rural areas develop and narrow the differences between the urban and rural areas, because this is its unshirkable duty. All trades and professions in the urban areas should enhance understanding and support the rural work in various fields.

The commercial departments should strive to display their functions in rendering services, vitalizing circulation, regulating markets and in joint development; provide services for the purchase of farm and sideline products, for the supply of the means of production and consumer goods, and throughout the production process; and realistically solve the currrent existing problem that "the people find purchase and sales difficult." We should conscientiously study the new situation which has emerged in the second step of reform in the rural areas, the new damands put forward in the course of readjusting the production setup, and the new changes in the consumption habits of peasants; appropriately reform the commercial operational system; foster a good commercial workstyle; and do a good job in supporting, helping, and promoting the commercial work in the new period.

The industrial department should develop and produce all kinds of commodities needed in the rural areas; pay special attention to gearing to the needs of the new operation methods and the production setup in the rural areas; provide small-sized, applicable, and inexpensive farm machinery, chemical fertilizer, and agricultural chemicals of good quality for the rural areas; and support them in developing diversified undertakings. In line with the readjustment of the urban industrial production setup, we should transfer some products to the countryside in a planned manner; gradually change the practice of simply transferring products to the rural areas into the practice of developing joint ventures, cooperative operation, and coordination among various trades and professions; and support the township enterprises to develop soundly. The factories and trades which use farm products as raw materials should provide services for the raw materials producing bases, give guidance in production, establish long-term raw materials bases, and use the technical advantages in the urban industrial sector to help township enterprises and improve their technical level in production.

The foreign trade departments should actively help the suburban counties establish some export bases for farm and sideline products, native products, and small commodities in order to expand the rural foreign trade and exports.

The scientific and technological departments should adhere to the principle of serving the rural economy with science and technology, cope with the new situation in the rural reforms, actively reform the scientific and technical systems, do a good job in transferring science and technology to the rural areas, implement the system of rendering technical services on a contract

basis, and improve the situation in which scientific research and production are dislocated. We should concentrate resources and time on helping the rural areas develop "technology which needs a short period of development and a not-too-large investment but yields quick results," and strengthen the technical popularization work on the forefront of agriculture.

In short, all trades and professions in the urban areas should support the rural areas. This is a necessity for achieving common prosperity and coordinated development in the urban and rural areas, and a major matter in closely combining the urban and rural areas and in strengthening the worker-peasant alliance. It is a matter of major economic and political significance.

Third, we must persistently seek common prosperity when some people are allowed to become rich ahead of others. Seeking common prosperity is one of the most important indicators of our upholding the socialist road. We must ultimately realize the common prosperity of the entire people by allowing some people and areas to become rich ahead of others and making the majority and not a minority of peasants rich. The equalitarian distribution method, such as "curbing the rich and supporting the poor," will necessarily lead to common poverty instead of bringing about common prosperity. Of course, as a socialist country, we must not look unconcerned when a small number of areas and peasants suffer from long-term poverty because of their failure to solve food and clothing problems. Although the peasants' income has steadily increased over the past few years through serving the cities, some poor households and villages still exist. Tianjin, as a big city, should feel compunction for its failure to solve a few peasants' food and clothing problems. We must solve these problems because they are not difficult to solve. We must make up our minds to achieve the work of supporting the poor to eliminate poverty, and regard it as the first of the 10 great matters for improving the livelihood of the rural people this year. In order to solve these problems, we must conscientiously study the causes of poverty instead of relying on temporary relief only. I think that one of the main causes of poverty is that their commodity economy is not flourishing and they have neither the opportunity nor conditions to serve the cities. Through forming a good connection between the urban and rural reforms, we should help the rural areas make the most of their advantages to develop a diversified and commodity economy. The rural areas should eliminate poverty by serving the cities, and then embark on the path of seeking prosperity. The rural areas are urged to eliminate poverty in a year and to become rich in three years. With regard to eliminating poverty, we should attach primary importance to solving the poor households' food and clothing problems. At present, the governments at all levels should make good arrangements for the Spring Festival, and ensure that every household will be able to have dumplings and meat on Spring Festival. With regard to seeking prosperity, we must ensure that the rural people have the resources for a comparatively fixed, increasing income on the basis of solving food and clothing problems.

Since supporting the poor is a common duty of the entire society, the rural areas should tap their potential, the cities should make contributions, and all trades and professions should make efforts. The municipal agricultural commission, counties, and townships should transfer a group of excellent

cadres to the poverty-stricken villages. We should help the rural areas build the grassroots party organizations and the grassroots apparatuses of political power, and help them train and enhance grassroots cadres so that the grassroots cadres will be able to shoulder the heavy task of leading the peasants in seeing prosperity. The municipal departments and commissions in charge of the economic work, and the departments in charge of the overall work, including financial departments, should place the work of supporting the poor on the main work agenda and enthusiastically work in cooperation with the agricultural commission to ensure the implementation of the plan for supporting the poor. A matter which we must pay special attention to is that, at present, the cities need many laborers to conduct urban construction and to promote a flourishing development of economic construction and the poverty-stricken areas have the favorable condition of abounding in laborers. Thus, from this year, arrangements should be made, according to plans, for the laborers in poor villages to engage in construction projects, such as repairing roads and building houses, so as to make them increase their income as soon as possible.

Comrades, we are in the age of reform. The big trend of reform will bring progress to the society and boundless energy and vitality to socialist undertakings. Today's achievements are the results of reform, and we must also rely on reform to make progress tomorrow. The only way for enlivening and developing the urban and rural areas is to persist in reform. Reform is never smooth sailing for all ages. Since the connection between the urban and rural reforms is an arduous, complicated engineering of social systems, it is possible to have more problems. Only when we carry forward the spirit of the Old Foolish Man, constantly maintain high political enthusiasm and the fighting will of going all out to make progress, bravely make explorations, explore to make advancement, and prudently treat sensitive problems, can we certainly achieve the connection between the urban and rural reforms and upgrade the work of serving the cities and making the peasants rich to a new level.

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ECONOMIC MANAGEMENT

ECONOMIC SITUATION OF SHANDONG INDUSTRIAL ENTERPRISES SURVEYED

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[Article by Liu Shoujie [0461 1343 2638], Sun Guangyuan [1327 0342 6678] and Xing Demao [6717 1795 5399], edited by Zong Han [1350 1383]: "Shandong Industrial Enterprises' Economic Situation"]

I. Basic Economic Situation of Shandong's Industrial Enterprises in Recent Years

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee and under the leadership of the CPC Central Committee and the State Council, Shandong Province has implemented the policy of "readjustment, restructuring, consolidation and improvement" of the national economy and concentrated its sources in the solution of some long accumulated economic problems including that of a serious proportionate imbalance. It has done a great deal of work and achieved remarkable success in reforming the structure, applying flexible policies and invigorating the economy. After several years of readjustment, the proportionate relationships between agriculture, light industry and heavy industry have changed, and the phenomenon of excessive speed in the development of heavy industry, low speed in the development of light industry, and stagnation in agriculture has ended. Profound changes have also occurred in the ratio between accumulation and consumption, the economic results of the industrial enterprises have continued to improve, the province's revenues have continued to increase every year, and the national economy is now developing along a healthy path.

The best records since 1978 were set in 1983 for Shandong in industrial growth, and in the quality of products, the taxes paid and profits delivered, the number of days required for the turnover of funds, and the turning of losses into profits. Its total industrial output value reached 40.558 billion yuan, 106.4 percent of the planned target and a 10.43 percent increase over last year. Its revenues amounted to 5 billion yuan, 103.4 percent of the planned figure and a 9.6 percent increase over the previous year. The total industrial value of the local state-owned industrial enterprises increased 7.87 percent, the sales proceeds increased 8.25 percent, the profits realized increased 20.9 percent, and the total amount of profits delivered and taxes paid increased 7.83 percent. There was a synchronized increased in industrial

output, in profits and taxes, and in the revenues turned over to the state. In 1981-1983, the progressive increase rate was 7 percent for the total industrial output value, 9.8 percent for light industry and 3.9 percent for heavy industry each year, all higher than the 5.3 percent, 7.3 percent and 3 percent set for the province in the 5-Year Plan respectively.

On the whole, therefore, we can see that Shandong's industry has advanced and risen to higher standards in the past several years. Its present economic situation is very fine. However, there are also many problems mainly because of the poor economic results and the backwardness of its industrial enterprises, according to advanced national standards and compared with the fraternal provinces and cities. The problems are mainly as follows:

The property and quality of its products are poor. In 1982, the proportion of fine-quality industrial products was 12.35 percent for the whole country; 16.4 percent for Shanghai; and only 10.3 percent for Shandong. Even Shandong's fine-quality products could not measure up to the higher national standards. An analysis of 139 varieties of products of the first light industry departments in the province showed that 15.8 percent of them were of the 1970's vintage; 18 percent, of the 1960's vintage; and all the rest was before the 1960's, according to international standards. In a national new-product exhibition held in 1983, only 248, 3.3 percent, of the 7,104 exhibits belonged to Shandong. Let us take light and textile industries for example. In early 1983, a total of 373 varieties of Chinese pure cotton fabrics were sold in Hong Kong, and only 16, 4.3 percent, of them belonged to Shandong. Among the 135 varieties of Chinese polyester/cotton fabrics with printed designs sold, only 11, 8.1 percent, of them belonged to Shandong. Only 1 percent of about 300,000 tons of white wine and 6 percent of the 360,000 tons of paper produced; and 0.27 percent of nearly 80 million porcelain wares exported by Shandong each year were of high grades.

The consumption of energy and raw materials has been reduced in the past several years, but the margin of reduction was not significant, the production costs were high and the losses were serious. In 1982, the average rate of production-cost reduction among the comparable items was 0.04 percent for the whole country, 1.6 percent for Shanghai; and 1.4 percent for Jiangsu. However, the product cost in Shandong was even raised by 0.57 percent. In 1982, for the production of one ton of ammonia, the consumption of coal, as raw material and fuel, was 1,458 kg in Shanghai, 1,594 kg in Zhejiang, 1,632 kg in Jiangsu, and 1,869 kg in Shandong; the consumption of electricity was 1,259 kws in Shanghai; 1,242 kwh in Zhejiang; 1,184 kwh in Jiangsu; and 1,368 kwh in Shandong. In 1982, 487 state-owned industrial enterprises, 24.2 percent of all enterprises that are included in the budget, incurred losses amounting to 251 million yuan, 13.3 percent of the realized profits; and the losses incurred by 397 of these enterprises, 81.5 percent of the total number, were attributed to poor management. The losses of 120 million yuan by these 397 enterprises accounted for 48 percent of the total losses. In 1983, Shandong did quite well in reducing losses. The proportion of losing enterprises was reduced by 54.1 percent, and the amount of losses, by 40.5 percent. However, it still lost about 150 million yuan and was one of the major losers in the country with a loss of more than 100 million yuan.

In 1982, as we can see from several comprehensive economic indices, the amount of profits and taxes generated per 100 yuan of output value among the industrial enterprises included in the budget was 21.65 yuan in Shandong, 31.2 yuan in Shanghai, and 20.1 yuan in Jiangsu; the amount of profits and taxes generated per 100 yuan of capital was 17.7 yuan in Shandong, 61.5 yuan in Shanghai; and 23.4 yuan in Jiangsu; the amount of output value generated per 100 yuan of fixed assets was 115.3 yuan in Shandong, 284.96 yuan in Shanghai and 161.3 yuan in Jiangsu; the time required for the turnover of funds was 103.5 days in Shandong, 58.3 days in Shanghai, and 90.7 days in Jiangsu; and the time required for the recovery of investment in fixed assets was 4.01 years in Shandong, 1.13 years in Shanghai and 3.06 years in Jiangsu.

II. Preliminary Analysis of the Causes of Poor Economic Results in Industrial Enterprises

The factors hindering the improvement of the industrial enterprises' economic results are many, and the conditions are fairly complex. Both subjective and objective factors, microeconomic business operation, macroeconomic policy decisions, internal factors, external conditions and so forth can produce either direct or indirect effects. According to a survey on several areas and trades, the economic results of these industrial enterprises are mainly affected by their poor quality (such as their poor adaptability, their low capacity for heavy tasks, their inadequate power of assimilation, and their unsuitability for the new challenge) as well as certain incorrect policy decisions. A analysis of the latter problem in particular is presented as follows:

1. Irrational Planning for Industrial Distribution

In the course of production development during the past several years, meticulous planning and rational distribution were lacking in macroeconomic guidance, and the guideline stressing economic results was not distinctive enough. In setting up new units and increasing the productive capacity, greater emphasis was laid on "quantity"; and in dealing with the variety, quality and standards of products, not much attention was paid to the improvement of quality. Thus difficulties were experienced in the improvement of comprehensive economic results.

Some areas had a fairly solid industrial foundation and produced brand-name products; but their strong points were not taken advantage of. Five Shandong cities, namely, Qingdao, Jinan, Zubo, Yantai and Weifang, produced fairly strongly competitive goods with fairly good economic results for many of their enterprises, and the state revenues from these five cities accounted for more than 70 percent of the provincial total. However, these strong points were not fully utilized. According to the Sixth 5-Year Plan, for example, only one-third of the 619,000 spindles to be added were allocated to the three cities of Qingdao, Jinan and Weifang, and most of them were allocated to other counties and cities with a fairly weak industrial foundation. Thus some enterprises became backward immediately after its completion, and others were forced to suspend their operation because of their unmarketable products. Such an layout was responsible for the deterioration of the province's economic results.

Blind and duplicate construction was also fairly common. The development of sewing machine, bicycle and watch production began in 1975, and the scope of development at that time was set at "6, 8, and 10" (meaning 600,000 sewing machines, 800,000 bicycles and 1 million watches). In 1980, it was readjusted to "1, 2, and 3," (1 million sewing machines, 2 million bicycles and 3 million watches). Then in 1982, it was again readjusted to "2, 5, and 8" (2 million sewing machines, 5 million bicycles and 8 million watches.) The scope became larger and larger every year. Because the technical transformation of the old plants and the development of brand-name fine-quality products were left out in the planned layout; because each unit could "cook its own meal" financially; and because these three major products were looked upon as an inexhaustible source of income, the number of their production units continue to increase; more and more miscellaneous brands appeared; and the scale of capital construction continued to grow along with the technical measures. As a result, the productive capacity greatly exceeded what was originally planned and by the end of 1982, the investment accumulated to 309 million yuan. There were then 6 general bicycle assembly plants and 82 auxiliary plants with a total productive capacity for 2.5 million bicycles. For the production of sewing machines, there were 6 plants for the main machines and 30 plants for the accessories with a total productive capacity for 1.1 million sewing machines. For the production of watches, there were four watch plants and four supportive plants with a total productive capacity for 3 million watches. At present, the products of most sewing machine plants and some bicycle plants are not selling well and the economic results are poor. Of the six bicycle plants, five are incurring losses after paying taxes at the end of 1982. The losses totaled 42.06 million yuan. However, the Qingdao Bicycle Plant realized an annual average of 20.33 million yuan of profits and taxes in 1975-1982. Had the layout been planned for the technical transformation of Qingdao's Dajinlu so that its productive capacity could be expanded to 3 million bicycles a year, then its profits and taxes in 1 year may exceed 80 million yuan and the problem of losing more than 40 million yuan would not have arisen.

Instead of planning the layout for the promotion of brand-name fine-quality products, the construction programs for many products were overlapping. The province has now 354 paper mills, 23 beer breweries, 87 knitwear mills, 24 woollen textile mills, and more than 30 fiberboard plants. Many of these enterprises are incurring losses and some of them were closed down soon after going into operation.

2. Continued Expansion of Scope of Construction Due to Lack of Strict Control Over Fixed Asset Investment

In 1982, the province invested 4.767 billion yuan in fixed assets (including 1.92 billion yuan, 40 percent of the total amount, ear-marked for key projects of the central government), a 53.57 percent increase over 1978. There were 9,203--an increase of 2,611 over 1978--capital construction projects under construction and technical measures to be introduced. The total investment far exceeded the planned figure. To further complicate the situation, many more types of loans are now available, and authorization for the use of funds can come from many different quarters. For example, the

planning commissions, economic commissions, import and export commissions, finance departments, and departments in charge at all levels in addition to the People's Bank, the Construction Bank, the Agricultural Bank, the Bank of China, and many enterprises and establishments now have the power to approve projects. As a results, construction projects are becoming more and more numerous and the scope of construction is getting out of control.

Because of the "merging" of capital construction with the improvement of technical measures, the funds originally intended for technical measures are being used to start or expand projects, or for "capital construction of the second category." Thus many new factories have been built to produce run-of-the-mill goods with outdated equipment, and many unnecessary and overlapping projects have been started, while such projects as for light and textile industries of advanced standards, for energy and transportation, and for basic chemical industry, for which there is a real need, failed to make any headway. According to a rough estimate, approximately 20 percent of the total investment was used in duplicate construction, and in projects which cannot go into operation after completion, and which cannot produce the desired results after going into completion, all because of thoughtless planning for the layout. In the 4 years from 1979 to 1982, the province invested 5.57 billion yuan in various technical measures, and 60-70 percent of the amount was spent on extensive expanded reproduction. In textile industry, for example, 384,000 yarn spindles and 42,200 wool spindles were added and the dyeing-printing capacity was increased to 228 million meter in 3 years. However, technical transformation for the old enterprises was lagging behind, and even to date, the 170,000 fine-yarn spindles and 2,500 looms, all out-dated and left over from the days of the Japanese puppet government, have not been renovated in the province. There are also 180,000 square meters of dangerous buildings which have not been repaired. New technologies failed to make much progress. For example, design-printing with circular or horizontal screens, liquid ammonia processing, foam processing and brushed material processing are either just beginning or nonexistent.

The work of importing technology is making only slow progress. In 1982, only 24.1 percent of the province's share of foreign exchange was used on importing technology and equipment, while very little of the "short-term foreign exchange loans" of $100 million a year extended by the Bank of China, and of more than 100 million yuan a year from the Construction Bank's loan quota was spent for the same purpose. Some of the imported projects failed to produce the desired economic results because of incorrect policy decisions. For example, the Qingdao No 5 National Cotton Mill spent $8.8 million in importing a complete set of advanced spinning equipment including 20,000 spindles. However, since the looms are still of the old Toyota type with narrow width, it had to buy foreign yarns. With an annual profit of only 3 million yuan, it had to pay more than 4 million yuan of interest each year on the import loans. It was practically impossible for this mill to redeem its loan.

The investment returns are poor. In 1982, 73.6 percent of the fixed assets were handed over for use in the province. For each 1 yuan increase in the national income, the investment in capital construction required was 1.09 yuan during the First 5-Year Plan, 1.39 yuan during the Fifth 5-Year Plan, and 1.95

yuan during 1982. At present, the original value of fixed assets in the textile trade and the productive capacity of its cotton yarn spindles rank fourth in the country; but its profits rank eighth, and its profit and tax rates in terms of output value and capital funds rank 11th and 10th respectively. In 1982, the original value of the fixed assets of the first light industry in the province was 2,114 million yuan, a 74 percent increase over 1978, but its production increased 45.9 percent and its profits and taxes increased 51.8 percent. In 1982, its circulating funds ranked first, the original value of its fixed assets ranked second, its output value and sales proceeds rank third, its profits ranked fifth, its profits generated per 100 yuan of capital rank ninth, its profits generated per 100 yuan of output value ranked 12th, and the number of days required for the turnover of its fixed circulating funds ranked 14th in the country. In the same year, the second light industry's original value of fixed assets was 1.19 billion yuan, a 72.4 percent increase over 1978; but its output value increased only 5.8 percent, its profits dropped 21 percent, and its losses more than doubled.

Because of the large increase in loans, the problem of their redemption by the enterprises is now obvious. In the past several years, state allocations for capital construction and technical measures were reduced, and the enterprises had to turn to the banks for loans. At the end of 1982, the amount of loans to be used for investment in fixed assets totaled 1.916 billion yuan, including 367 million yuan for capital construction and 154 million yuan for technical measures. Therefore, there is now the problem of loan redemption. If the redemption takes five yearly installments, the enterprises has to repay 383 million in addition to nearly 100 yuan of interest each year. Thus the enterprises having received loans in the province must increase their profits by 500 million yuan each year in order to redeem these loans. This is certainly no simple matter. Furthermore, the redemption of loans affects the enterprises' profit delivery and is one of the important causes of the reduced proportion of profits to be delivered to the state. In 1978, the state-owned industrial enterprises included in the budget delivered 76.2 percent of the profits they realized; in 1983, the profits delivered dropped down to 55.1 percent.

3. System of Planned Management Inconsistent with Current Economic Development

Most of our planning is now carried out with the "level" method mainly based on the growth speed, but without overall balancing, or unity between planning for production, or planning for economic results. If we are only concerned with production plans and neglect financial plans, our efforts in production will not be coordinated with our efforts to increase revenues.

In planning, the principle of "choosing the good ones and discarding the backward ones" is not upheld. Some plans are only concerned with the "feeding of some people" with little thought for economic results. Because of the shortage of energy and raw materials as a result of improper planning, some advanced enterprises are unable to bring into play their productive potential, while some backward enterprises, consuming huge amounts of energy and raw materials, cannot meet social needs. If this situation is not changed, it will be very difficult for the entire industry to further improve its economic results or to accelerate its production development. For example, the

products of five out of the six sewing machine plants in the province are not selling well, and some enterprises producing pure cotton fabrics are seriously over-stocked. Through the survey, we have come to understand that wherever the principle of choosing the good ones is upheld, there are fairly good economic results. In the electric power industry, for example, an enterprise was chosen according to the principle of "choosing the good ones" to be organized. The unified management of the power grid was strengthened, and economic means were used for regulation. Then by minimizing or eliminating the use of the low-voltage and low-efficiency generating units of high energy consumption and making more use of the high-voltage and high-efficiency generating units, this enterprise was able to reduce its consumption and improve its economic results year after year. It is now one of the few enterprises with remarkably improved economic results in the entire national economic system. In supplying electricity, its coal consumption in the first 9 months of 1983 was down to 403 grams/khw, a decrease of 5 grams below the same period of the previous year with a saving of 70,000 tons of standard coal. It realized a profit of 297 million yuan, a 20.5 percent increase over the previous year, based on comparable data. In metallurgic industry, the limited energy resources were allocated to the key enterprises, and some small plants were either closed or suspended. Both the variety and quality of products are now of higher standards and the economic results have markedly improved. In 1983, compared with 1980, according to an estimate, coke consumption was reduced by 86,000 tons, steel output was increased 5.31 percent, and the profits realized amounted to 130 million yuan, a 60 percent increase over 1980 on the basis of comparable data. In the production of small nitrogenous fertilizer, 38 backward plants were closed, suspended, merged or retooled for other lines of products because of their high consumption and heavy losses. Consumption has continued to drop and profits increased. The losses incurred for more than 10 consecutive years were then ended. In 1982, a profit of 15.3 million yuan was realized, and in the first 9 months of 1983, coal and electricity consumption per ton of ammonia was reduced by 124 kg and 63 kwh respectively below the same period of the previous year, and the profits realized amounted to 43,137,000 yuan, a 2.3-fold increase.

The plans are divorced from reality, lacking in foresight, and incapable of commanding strict compliance. What are mandatory plans? What are guiding plans? What is market regulation and how can the principle of the leading role of the planned economy and the supplementary role of market regulation be embodied in the work of planning? People cannot reach a common understanding because of the rather vague differences between them. Thus neither centralization nor decentralization and neither control nor decontrol can be effective whenever deemed necessary. The plans are "bookish" in nature and can neither serve as guidelines nor command strict compliance in economic construction. The plans for coal production are mandatory plans. In 1982, the planned output of state-owned mines decided by the state was 1 million tons short of the amount of planned distribution. If the enterprises had not stocked up a sufficient quantity to make up this shortfall, it would be difficult for it to comply with this plan. That was why the coal mines accepted only the production plan but not the distribution plan. What deserves even more careful study is that since the plans for distribution and transfer was originally intended to serve as a "hard" criterion, they should

be the basis of appraisal for rewards and punishments. However, the higher authorities ruled that rewards must be given for the completion of the production plan, and as a result, the system of rewards and punishments failed in its role of incentive for the fulfillment of distribution and transfer plans, and led to difficulties in various quarters. Textile products are subject to mandatory plans. As soon as there is any change in prices, however, mandatory plans could no longer play its role. In 1983, the planned output of pure cotton fabrics was 1.2 billion meters, and the procurement plan called for only 562 million meters while only 413 million meters were actually procured. Thus production and marketing became seriously dislocated. The food trade enjoys priority in development. The development plan, however, only set the output target, but did not ensure the supply of grain and edible oil required for such development because of the effects and restrictions of the "contract" system. Many areas have complained that since the supply of grain and edible oil is less than half of the planned quantities, they were compelled to buy the rest at negotiated prices and to take the losses.

The lack of coordination between the production plan and the supply plan and the wide gap between them have brought serious difficulties to the enterprises in the improvement of their economic results. In 1982, the shortfalls in the supply of the major items required for the tasks planned by the provincial authorities were as follows: more than 4.5 million tons of coal, 18 percent short; more than 300,000 tons of fuel, 40 percent short; 3 billion kwh of electricity, 13 percent short; 350,000 cubic meters of timber, 31.5 percent short; 300,000 tons of rolled steel, 25 percent short; 150,000 tons of pig iron, 48 percent short; and 75,000 tons of soda ash, 43.8 percent short. To ensure the fulfillment of state plans, the provinces, regions, departments and enterprises had to spend a great deal of energy in seeking cooperation and buying raw materials and fuel at negotiated prices, besides using their own foreign exchange to import some timber and steel. The prices of these raw materials, which were mostly higher than the prices of the materials distributed by the state, directly raised the production costs and reduced the enterprises economic gains. According to a rough estimate, the price disparity for imported timber and steel, the higher prices for fuel and the negotiated price for coal (including transportation charges) involved an additional expenditure of some 300 million yuan--more than 2 percent of the total production cost--over and above what would be required if the materials to be supplied as planned were available. Coal, for example, has to be brought in from Shanxi, Nei Monggol, and Henan in quantities of more than 1.4 million tons every year through unplanned cooperation, and costs 70-80 million yuans more than the coal supplied according to plan (charged mainly for the transportation). In 1980-1982, the industry and transportation sector of Qingdao city used 280,000 tons of high-price fuel oil and 620,000 tons of coal purchased at negotiated prices--which accounted for 49 percent and 15 percent of its oil and coal consumption in 3 years-- and increased its expenditures by 13.3 million yuan.

The enterprises are now commonly over-staffed mainly because of the placement program for unemployed youths and the accommodation for many persons sent by the state with political assignments. Thus the system of fixed number of employees and fixed quotas of work cannot be easily enforced. According to the survey, the industrial enterprises generally have 10-20 percent of surplus

personnel and some enterprises have as high as 30 percent of them. Based on a 10 percent calculation, there are more than 180,000 surplus personnel in the state-owned industrial enterprises and their wages amount to 154 million yuan a year.

4. Uncoordinated Relationship Between Industry and Commerce

Speaking of the relationship between industry and commerce, industry would raise the question of the function of commerce in serving industry, while commerce would retort with the question of the purpose of industrial production. In fact, both industrial production and commercial operation do not suit the changes in market conditions or meet the requirements of the development of a commodity economy. Both industry and commerce are now confronted with a new task and the problem of opening a new prospect. From the survey, we have learned that the following three major problems exist in the relationship between industry and commerce. First, because of price adjustments and the changes in supply and demand, the plans for production and marketing have become uncoordinated. The signing of contracts between them is always delayed, and even signed contracts are not binding, Thus plans and contracts have lost their effects in varying degrees. In 1983, the Weifang No 2 Printing and Dyeing Plant planned for a profit of 3 million yuan. When the state lowered the price of polyester/cotton fabrics and raised the price of pure cotton fabrics, the plant had to sell more of its own products in order to fulfill its profit plan. In the first 9 months, 93 percent of the products were sold by the plant itself. Second, there is some contradiction between the procurement by commerce and the disposal of its own goods by industry. This contradiction is brought about by the proportion of products sold by industry itself which affects the proportion of procurement by commerce. Whenever some products are selling well on the market, commerce would like to procure more or all of them, while industry would like to deliver less and keep more to be sold by itself. On the other hand, whenever there is an excess of supply over demand for some goods, commerce would procure less or even refuse to procure any of them on the grounds that the varieties are not suitable for the market. To maintain its production, industry would sell these goods at cut prices, while commerce, making use of its "good opportunities" and the many channels open to it, would bring in goods from other provinces. The conflicts between industry and commerce affects the marketing of products. Third, the commercial sector is "afraid of overstocking but not of running out of stock," and cannot play the role of "reservoirs." The Jinan Department Store, for example, has made this calculation: If its sales volume is increased by 5 million yuan a year, it can increase its profits by only 60,000 yuan; if the value of its goods in stock can be reduced by 5 million yuan, the interests on its loans can be reduced by 340,000 yuan. In 1983, therefore, it took the unilateral action of reducing its inventory and by the end of September, compared with the same period of the previous year, the value of its goods inventory was reduced by 6.16 million yuan, a 28.2 percent reduction. Thus some commodities were out of stock, the sales volume dropped, and only 48.59 million yuan's worth of goods, a 16.5 percent reduction, were sold. These are the experiences in not only commerce, but also in industry. The contradiction between them is always manifested in the question of supply and demand, or, in fact, the question of distribution of interests. Whenever any product is unprofitable, industry would be unwilling

to produce it, and commerce would be unwilling to deal in it. There are always mutual wrangles and accusations between them. This problem, if not solved, will directly affect the development of production, the prosperity of the market and the improvement of economic results.

4. Excessive Social Burden for Enterprises from Increased Spending in Policy Implementation

The survey has given us the impression that the increased spending in the implementation of certain policies has increased the social burden of enterprises and [15 characters illegible] economic results. According to an analysis of the final accounts of all the industrial enterprises in the province, the realization of profits has been affected, [13 characters illegible] by the increased spending in the implementation of certain policies. For example, the cut prices of industrial products involving a decrease of 90 million yuan, the raised bank interest rates [10 characters illegible] 33.5 million yuan of special taxes, the increase of 24 million yuan for coal chute charges, 30 million yuan for coal mine exploitation in the province,[7 characters illegible] 34 million yuan for and so forth, accounted for 270 million yuan a year. Second, the number of workers and staff members in enterprises has increased. There are 1,446,000 employees for the state-own industrial enterprises included in the budget, an increase of 50,000 over 1981, and the payroll had to be increased by 30 million yuan. The wages for retired personnel amounted to [4 characters illegible] yuan, an increase of 9 million yuan over 1981. These two items combined to account for an increase of 310 million yuan--19 percent of the profits or 2.6 percent of the total production cost--in the payrolls. Had these two factors been taken into consideration, the annual profits would reach 1,942 million yuan, a 15.6 percent increase over 1981, and surpassing the rate of output increase.

These are the factors with direct effects on the enterprises' net income and their delivered profits. In addition, the following can also affect profit delivery: First, the increase in loan redemptions. In 1982, the enterprises spent 212.46 million yuan on the redemption of various loans, an increase of 102.72 million yuans over 1981. Second, the increase in the enterprises' retained profits. In 1982, the profits retained by the enterprises amounted to 363.41 million yuan, an increase of 58.54 million yuan over 1981. The proportion of retained profits in the total profits rose from 18.18 percent in 1981 to 22.27 percent. These two factors reduced the delivered profits by 161.26 million yuan, 14.6 percent of the amount delivered in the previous year.

The enterprises now find it increasingly difficult to cope with the excessive social burden. According to statistics on 333 local state-owned enterprises in Jinan, Qingdao, Zaozhuang and Taian, the enterprises had to bear more than 48 types of social expenses, such as property insurance fees, handling fees for the People's Bank, environment protection fees, underground water resource fees, land requisition auxiliary fees, apportioned school expenses, apportioned road maintenance expenses, park construction expenses, sanatorium-bed fees, river dredging fees, police substation fees, apportioned neighborhood office expenses, street scavenging fees, and so forth. The list

seemed to be endless. In 1981 and 1982, the various apportioned expenses total 72,156,000 yuan. The state or the central departments in charge approved 11 of these expenses which totaled 32,033,000 yuan, 40 percent; the provincial authorities approved 2 of them, totaling 18.55 million yuan, 25.7 percent; and the agencies below the prefectural and city levels were responsible for 3 of them, totaling 21,569,000 yuan, 29.9 percent of the total amount. Some of these expenses were justifiable, but most of them were not. According to the statistics of the same 333 enterprises, these expenses in 1981 totaled 29,908,000 yuan, 5.15 percent of the 580,814,000-yuan profits for the current year; and those in 1982 totaled 42,248,000 yuan, 8.71 percent of the 485,082-yuan profits for the current year. This problem is particularly keenly felt by those trades making low profits.

On the whole, the factors affecting the enterprises's economic results are many and complex. If we trace their causes, we will find that the most fundamental one is the incorrect guideline in economic construction. Under the influence of the "leftist" ideology, there has long been an impatience for quick success in economic construction, and people have the habit of striving for increase in output value and growth rate regardless of the economic results. They are only concerned with the ranks occupied by their output and output value in the country and the province, but pay little attention to their backwardness in the payment of taxes and delivery of profits. Output value and growth speed are usually the criteria for the assessment of an enterprise's performance, while its taxes, profits and accumulations are rarely considered. The entire structure of economic administration, the policies, systems and methods were formed step by step under this guideline. We may say that in theory and in practice, the prevalent idea now is that output value should be treated as the central goal. Since the leading comrades of the central authorities called for "focusing the entire economic work on the improvement of economic results," the question of economic results has begun to attract attention and certain success has been achieved. Therefore, we must continue to set right the guideline in economic construction, correctly handle the relationships between speed and result, between macroeconomic policy decisions and microeconomic business operation, and between objective conditions and subjective efforts in order to accelerate the reform of the economic structure and economic management and to work out and improve the economic and technical policies and measures. This is where the key to better economic results lies.

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ECONOMIC MANAGEMENT

INTERNAL ECONOMIC COOPERATION MAKES HEADWAY

OW131744 Beijing XINHUA in English 1549 GMT 13 Mar 86

[Text] Beijing, 13 March (XINHUA)--Agreements on economic and technical cooperation signed between enterprises, regions and administrative departments in China totalled 35,000 in 1985--11 times the number in 1981, according to the State Economic Commission.

Sixty percent of them involved technology, 200 percent more than the previous year.

Raw materials exchanged under the agreements were worth 16 billion yuan, 500 percent as much as in 1981.

Last year's results brought the total agreements for the Sixth 5-Year Plan (1981-1985) to 70,000; and the whole value of exchanged materials to 34 billion yuan.

Developed since the economic reform started in 1979, the horizontal cooperation has yielded many instances of cooperation among urban enterprises and between urban and rural factories.

For example, the No 2 motor vehicle plant formed a joint company with more than 100 factories in 20 provinces and autonomous regions to manufacture 5-ton trucks.

Examples of regional economic cooperation, which was developed in line with geographical and historical conditions, includes the Shanghai Economic Zone, and the North China and Southwest China Joint Coordinating Committees.

Jiangsu Province, east China, got 33 percent of its coal supply, 25 percent of its steel and 40 percent of timber last year from such cooperation.

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ECONOMIC MANAGEMENT

OFFICIAL COMMENTS ON CONSOLIDATION OF ENTERPRISES

HK130648 Beijing CHINA DAILY in English 13 Mar 86 p 1

[By staff reporter Wang Gangyi]

[Text] A 4-year consolidation campaign among China's 430,000 enterprises has taken the country's economic management to a new level.

An official from the State Office for Consolidation of Enterprises told CHINA DAILY yesterday the 1982-85 drive had reinforced management by introducing new technical standards and specification methods, establishing information centres and adopting a new labour quota system.

By the end of last year, the official said, China had established technical standards for more than 7,500 products, 120 percent up on 1981. Twenty percent of them reach internationally recognized levels, he added.

The official said product specification standards had been improved. During the drive, 4,933 enterprises met the state requirements, 78 percent reaching the first-class level.

Increasing attention had been attached to the collection and analysis of information in recent years by managers who had become more market-minded, the official said.

According to a sample survey in 10 provinces and cities, 30 to 50 percent of enterprises have established data collection and analysis centres. Many factories are using information feedback to guide their production.

During the 4 years 236 enterprises adopted 18 modern management methods, including use of computers and changes to management structure, on a trial basis and gained satisfactory results.

At the same time, the official said, the enterprises' previous overmanning had been trimmed to more desirable levels.

From 1982 to 1985, he said, 3 million workers were phased out of industrial enterprises and entered various service trades.

The nationwide campaign, according to the official, had resulted in better economic performance from enterprises.

The total national industrial output value in the first 11 months of last year was 47.5 percent higher than in the same period of 1981. Profits were up 38.1 percent.

In 1981, the official said, 12,598 enterprises were running at a loss. Last year, the number was 4,178.

Achievements had been made in the training of workers and staff, the official said.

From 1982 to 1985, some 36 million young workers received general or technical training. From 1983 to 1985, 2.1 million college and technical school graduates entered industry, significantly raising the educational level of the work force.

On-the-job training of managers has been greatly stepped up in recent years with the establishment of 92 economic management institutes and 9 training centres.

The official said that starting from this year, the consolidation of enterprises would enter a new stage.

To encourage modern management, technical innovation and higher economic efficiency, the state is to adopt a grading system.

All enterprises will be judged against three grades to be set out by the central government, he said. Specific standards and regulations are still in the making.

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ECONOMIC MANAGEMENT

HUNAN RADIO COMMENTARY ON IMPROVING MANAGEMENT

HK010933 Changsha Hunan Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Station commentary: "It is necessary to improve management and score achievements in management"]

[Text] At the provincial conference on economic work, strengthening enterprise management was put in a very conspicuous position, based on the current state of enterprises throughout the province. The problem was presented fully and in a timely fashion.

When we stress technology, we can produce benefits quickly. When we stress management, we can produce benefits more quickly. However, some comrades don't share this view. Some comrades believe that after enterprises have been consolidated for some 4 years, enterprise management has taken the right path and can remain at the status quo. Some comrades believe that stressing economic results and management does not produce benefits as quickly as improving technology does. Some other comrades are afraid it will be difficult to do well in enterprise management. They are content with the low-level management methods of traditional small-scale production and do not seriously study or vigorously adopt modernized management methods.

Many years of experience show that if this situation is not changed and management levels raised, we cannot have a high technological level, good quality products, or high production efficiency. Leaders at all levels, especially leaders of industrial management departments and enterprises, must fully see the importance and urgency of strengthening enterprise management. They must greatly enhance their understanding and really do well in enterprise management.

Judging from the present state of our enterprises, not only is our technology backward, but also our management. Therefore, our current primary tasks are to simultaneously carry out reform and do well in enterprise management with improvement of quality and reduction of consumption as the key points. We must truly implement the 10 articles and 14 articles issued, approved, and transmitted by the State Council on expanding the decisionmaking power of enterprise and the relevant documents formulated by the provincial government. We must strengthen the ability of our enterprises to transform and develop and really do well in enterprise management to suit the new outside environment and make our province's economy develop continuously, steadily, and in a coordinated way. We must contribute toward fulfillment of the province's quota of the gross industrial output value of 30 billion yuan.

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ECONOMIC MANAGEMENT

SHANXI RADIO COMMENTARY CALLS FOR DEEPENING OF REFORM

HK060503 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 26 Feb 86

[Station commentary: "Carry Out Reform in Depth and Open Up Broader Prospects for Reform"]

[Excerpts] In 1985 our province made encouraging progress in the reform of its economic structure and the reform stimulated the development of its economy. To carry out the reform in depth and to do a good job of the 1986 economic work by taking reform as a stimulus so as to make a good beginning for the first year of the Seventh 5-Year Plan period, is an arduous and important task ahead of us.

To resolutely carry out reform in depth, on the one hand we must consolidate, execute and improve the reform measures we have adopted and we must make efforts to solve critical problems by means of reform. On the other hand, we must carry out serious investigation and study so as to make preparations for the further progress of reform.

The provincial committee work conference has proposed requirements for this year's economic growth of our province. To attain it, we must give first place to reform and take reform as a stimulus to promote work in various aspects. To carry out reform in depth, we must first work hard to give more vigor to large and medium-sized enterprises. In this connection, we must vigorously implement all reform principles and policies formulated by the party Central Committee, the State Council and the provincial CPC committee and people's government. Concerted efforts must be made to solve problems relating to policies which have arisen in the relevant departments, in the execution of the reform. In addition, we must proceed from actual conditions to adopt some concrete measures and methods so as to ensure the healthy execution of reform.

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ECONOMIC MANAGEMENT

SHAANXI RADIO COMMENTARY ON SPEED OF INCREASE

HK031054 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Short commentary: "It is Necessary to Maintain a Proper Speed of Increase on the Basis of Stressing Economic Results"]

[Text] Under the guidance of the principle of reform, opening up, and invigoration, our province has developed its economy relatively greatly in recent years. This is a gratifying progress. Under such an excellent situation, we must affirm the achievements already scored and keep a clear head. In the speed of industrial development, we must avoid the tendency to disregard the objective conditions and to blindly concentrate on the output value and avoid blind complacency.

In the first 2 months of last year, our province did not fulfill its quotas for industrial production very well. The main reason was that some departments and units did not understand clearly enough what a proper speed of increase was. We must subordinate the speed of development to the premise of the state macroeconomic control. Moreover, we must pay attention to solving several porblems well:

1. In considering speed, we cannot deviate from the general aim. Our province's economy now is slightly lower than the national average level. To realize the general aim of quadrupling the gross output value by the end of this century, the speed of our development cannot be lower than the national average speed.

2. In considering speed, we must proceed from the specific situation in Shaanxi. The foundation of our province's industry is poor but potential is great. As the foundation is poor, we must make a little quicker improvement. As potential is great, it is also likely we can make quicker improvements.

3. In considering speed, we must persist in regarding the raising of economic results as the focal point. So long as we have productive capacity, raw materials, and good sales, we must be given a free hand in developing the products whose quality can be guaranteed and whose economic results raised.

We believe that after the cadres, staff members, and workers on the economic front deepen their understanding, boldly carry out reform, bring forth new ideas, and forge ahead, they will surely fight well the first battle of the Seventh 5-Year Plan.

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ECONOMIC MANAGEMENT

BRIEFS

EXPANDED ECONOMIC LINKS URGED--Beijing, 16 March (XINHUA)--China will run inter-regional and inter-trade joint enterprises this year to expand economic links between cities and commodity producing areas. This was noted at a national conference attended by directors of commerce bureaus which ended here today. The meeting urged joint management between factories and retail or wholesale departments of commodity producing areas to accelerate commodity circulation. Cross-regional joint management between pig, poultry, egg, vegetable and fruit producers and markets, and cooperations between retail enterprises were also encouraged by the meeting. At today's closing session, the ministry of commerce urged all commercial departments across the country to do a better job to ensure further thriving and stability of the market this year. [Text] [Beijing XINHUA in English 1549 GMT 16 Mar 86 OW] /12232

MANAGER TRAINEES IN U.S.--Shanghai, 12 March (XINHUA)--Twenty-one trainees who have finished a Sino-U.S. training course here for senior managers will soon go on a field trip to the United States, according to an organizing official. They will practise what they have learned in local banks and trading companies for 6 months, the official said. The course was run by the Shanghai Institute of International Business and the State University of San Francisco. The 2-year course began in the autumn of 1984. The trainees, who are under 40, are mostly foreign trade officials and have college education. They were taught international investment and credit, American commercial law, market theory and strategic planning and policies by five American lecturers during the course. At present, more than 100 people are studying in similar training courses jointly run by Chinese and foreign higher learning institutions. In addition, more than 18,000 people in this leading industrial and business center of China's are studying enterprise management in colleges for adults. [Text] [Beijing XINHUA in English 1525 GMT 12 Mar 86 OW] /12232

GUANGDONG INVIGORATES MOUNTAINOUS AREAS--It is learned from the 19th session of the 6th Regional People's Congress Standing Committee that in 1985, the region's people's governments at various levels made achievements in developing the production and stimulating the economy of the mountainous areas. The region allocated over 30 million yuan in development funds to 48 countries for developing the planting industry, animal husbandry and processing industry. It also emphatically helped 211 towns whose economic situations were the worst in the region. In addition, it allocated 2 million yuan to the industry of processing agricultural, sideline, native products and specialities processing industries. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 26 Feb 86 HK] /12232

HEILONGJIANG LATERAL ECONOMIC COOPERATION--Our province has made new progress in carrying out lateral economic cooperation in 1985. A total of 2,026 enterprises, or 13 percent of the total in the province, economically cooperated with each other. Last year these enterprises signed 2,259 contracts on economic and technological cooperation, imported 590 million yuan in funds, and brought in about 2,000 talented persons from other places. Through expanding lateral economic and technological cooperation, last year these enterprises added more than 766 million yuan of output value and more than 125 million yuan in profits and taxes. Last year the province carried out various forms of economic and technological cooperation with over 300 prefectures, cities, and counties of 27 provinces, municipalities, and autonomous regions. Cooperating economically with other provinces, cities, and large enterprises, such as Dalian, Dandong, Anshan, the Ministry of Railways, and the Shoudu Iron and Steel Complex, the province exploited and intensively processed its natural resources, including coal, graphite, nonferrous metals, steel, iron, and marble. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 5 Mar 86 SK] /12232

CSO: 4006/825

FINANCE AND BANKING

BANK OF CHINA LAUNCHES U.S. $100 MILLION CD ISSUE

HK130813 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 Mar 86 p 1

[Text] The Bank of China [BOC] Hong Kong branch will raise U.S.$100 million through the issue of a fixed rate 5-year certificate of deposit [CD].

Lead manager Citicorp International and China Development Finance (Hong Kong) launched the issue yesterday and obtained support from more than 20 banks to form a management group.

The coupon rate is set at 8 percent with interest paid half-yearly, which some bankers regard as somewhat tight in view of the current U.S. dollar market.

The BOC issue comes on the heels of a HK$250 million 3-year CD issue by the Bank of Communications, a member of the BOC group, which will be signed on Tuesday.

Although it is the first time the BOC Hong Kong branch has tapped the U.S. dollar capital market, the bank's London branch successfully raised U.S.$200 million in Europe last year through a 5-year floating rate CD issue. The bank has also frequently issued long-term yen bonds in Japan.

Bankers are not surprised to see more local BOC group members becoming active in the issue of CDs.

Banking sources said Nanyang Commercial Bank is understood to be interested in tapping the market, although no concrete plan is known as yet.

Some bankers said under current market conditions, where U.S. dollar interest rates have fallen so low people are not interested in buying bonds, the yield of BOC's latest CD does not look particularly attractive compared to similar issues.

"The pricing (of the BOC issue) is fair under normal market circumstances but is too fine for the moment," one banker said.

Following the reduction of the U.S. discount rate, the gap between U.S. domestic rates and Eurodolar rates has widened. Eurodolar bonds were trading yesterday at about 80-85 basis points over U.S. treasury bills. The BOC issue, bankers said, is yielding about 70 basis points over the U.S. treasury bills with equivalent maturity.

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FINANCE AND BANKING

MINISTRY STIPULATES REPAYMENT OF 1981 TREASURY BONDS

OW131115 Beijing XINHUA Domestic Service in Chinese 0242 GMT 12 Mar 86

[Text] Beijing, 12 March (XINHUA)--Measures for repayment of the principal and interest of 1981 treasury bonds.

[Issued by] (the Ministry of Finance of the People's Republic of China)
[Dated] (27 February 1986)

1. The following measures are drawn up on the basis of Articles 4, 6, and 7 of the Regulations for the Issuance of Treasury Bonds of the People's Republic of China.

2. The principal of 1981 treasury bonds will be repaid on five occasions over a 5-year period, beginning from 1986 and ending in 1990. The drawing and announcement of the numbers of all the treasury bonds whose principal is to be repaid during the 5-year period will take place in Beijing on 14 March 1986. The numbers of bonds whose principal is to be repaid shall be announced again in each subsequent year. In any given year, bonds will have their principal repaid if the last two digits of their number correspond with that of the numbers announced for repayment of principal in that year.

3. Repayment of the bonds' principal and interest shall be handled by the People's Bank of China and other specialized banks. Without exception, all bonds shall have their principal repaid according to the numbers announced each year by the Ministry of Finance of the People's Republic of China.

4. Repayment of the bonds' principal will take place from 1 July through 30 September each year. To show consideration for the bond sponsors' interests, those who do not withdraw their bonds' principal when they can do so may do so during the corresponding period of the subsequent year. However, the withdrawal of the principal of all 1981 treasury bonds should be completed by 30 September 1990.

5. Without exception, each year when the principal of a treasury bond is repaid, the interest it earns shall be computed up to 30 June of that year. In case the prinicpal is not withdrawn during the repayment period, it will continue to earn interest (simple interest), according to the original interest rates, until 30 June 1990.

6. The interest earned by a treasury bond shall be paid along with the principal in one lump sum.

7. The 1981 treasury bonds of 1,000-yuan, 10,000-yuan, and 100,000-yuan denominations, as well as the treasury bonds of a 10-yuan and 100-yuan denominations purchased by collective units, will not be repaid in cash.

8. The principal of damaged or soiled treasury bonds will be repaid according to the Measures for Handling the Payment of Damaged or Soiled Treasury Bonds jointly promulgated by the Ministry of Finance of the People's Republic of China, the People's Bank of China, the Industrial and Commercial Bank of China, and the Agricultural Bank of China.

9. These measures become effective on the date they are promulgated.

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FINANCE AND BANKING

AUDITING DEPARTMENTS UNCOVER QUESTIONABLE MONEY

OW170235 Beijing XINHUA Domestic Service in Chinese 0215 GMT 16 Mar 86

[Text] Beijing, 16 March (XINHUA)--Our country's auditing departments have further strengthened their economic supervision function. Last year, auditing departments at all levels audited a total of 66,200 units, uncovering questionable money totaling 10,217 million yuan. The number of units audited and the sum of questionable money uncovered registered an increase of 470 percent and 300 percent, respectively, over 1984.

Among the 2.82 billion yuan uncovered in 1985 through auditing that should have been turned over to the treasury, 1,776 million yuan has been turned over by now. Judging from the situations in various localities, the scope of auditing work is relatively greater. Eleven provinces and autonomous regions including Jiangxi, Shandong, Hubei, Guangdon, Henan, Hunan, Fujian, Jiangsu, Liaoning, Guangxi, and Sichuan have each turned over unlawful money totaling 50 million yuan or more to the treasury.

The State Auditing Administration maintains that violations of financial and economic discipline are still a very prominent problem today. Among the questionable money uncovered through auditing, 7,763 million yuan, or 76 percent, is involved in violations of discipline such as withholding and concealing profits, unjustified reduction of or additions to production costs and expenses, the unwarranted issuing of bonuses and allowances in cash or in kind, starting capital construction projects not covered by the plan, and evading or withholding taxes. To counter these problems, the State Auditing Administration has decided that the focus of this year's auditing work is to safeguard financial and economic discipline and to thoroughly investigate and sternly deal with all the big, major cases uncovered through auditing.

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FINANCE AND BANKING

NEW XIAMEN JOINT VENTURE BANK 60 PERCENT FOREIGN-OWNED

HK100545 Hong Kong SOUTH CHINA MORNING POST in English 10 Mar 86 p 10

[From "South China Beat" column by Ophelia Suen: "How the Xiamen Formed"]

[Text] With an authorized capital of HK$800 million and an initial paid up capital of HK$420 million, Xiamen International Bank (XIB) was jointly formed by three Chinese state-owned financial and economic institutions and a Hong Kong listed company, Panin Holdings Ltd.

Forty percent of the shares are Chinese with the foreign partner holding 60 percent.

Panin contributed its 60 percent partly in cash and partly by effectively transferring to the new joint-venture bank its two financial subsidiaries--Panin International Finance Corp (HK) Ltd (PIFC), and Luso International Banking (Macao) Ltd (LIB).

Both PIFC and LIB have become wholly owned subsidiaries of XIB. And PIFC has been renamed Xiamen International Finance Co Ltd.

Panin holdings was incorporated in 1980 with a registered capital of HK$350 million and a paid up capital of HK$243 million.

The Chinese sharholders are: Industrial and Commercial Bank of China (Fujian) (ICBC), which holds 15 percent; Fujian Investment and Enterprise Corporation (FIEC), which holds 15 percent, and the construction and development Corp of the Xiamen Special Economic Zone (CDCX), which holds 10 percent.

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CSO: 4020/253

FINANCE AND BANKING

INVESTMENT BANK USES APPRAISAL FOR INVESTMENT

HK150608 Beijing CHINA DAILY in English 15 Mar 86 p 2

[By Li Chao]

[Text] Over 80 projects have so far gone into operation with investment from the China Investment Bank [CIB] following the application of "project appraisal."

A CIB official told CHINA DAILY the projects would yield 200 million yuan worth of taxes and profits a year, some 70 percent of the total loans.

Investment amounts to $47 million in foreign exchange and 90 million yuan, the official said. "Project appraisal methodology combines the merits of Western banking, as recommended by the World Bank, with our own realities. After 2 years trial practice, we have found the method beneficial not only in controlling investments in fixed assets, but also in improving economic results," he said.

A cotton textile mill in Yangzhou City, Jiangsu Province survived bankruptcy with the help of CIB, who invested $800,000 and 3.9 million yuan in the mill in 1983 after careful study of the plant.

Following the introduction of foreign machinery and the renovation of old equipment, the mill increased its profits last year to 56 percent more than 2 years ago and earned $5 million in foreign exchange. The appraisal predicts that the mill's profits will triple by the time the mill's production capacity reaches its peak at the end of 1986.

CIB's work has won praise from the World Bank. "China Investment Bank is already having a positive impact on China's industrial investment, by selecting generally good projects, and using improved project appraisal, the World Bank commented in a report.

Since its establishment in 1981, CIB has undertaken 207 loan projects with the emphasis on technical innovation in medium and small-sized enterprises.

CIB is specially designated by the government to handle construction funds and investments and credits from abroad.

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FINANCE AND BANKING

TABULAR ANALYSIS OF CREDIT COOPERATIVE DEPOSITS

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 17, 1 Sep 85 p 45

[Text] Deposits in Credit Cooperatives, First Half of 1985

30 June 1985 Unit: 100 million yuan

Region	Total of various types of deposits	Compared with beginning of year ±	Compared with same period last year ±	Including: Total deposits of cooperative members	Compared with beginning of year ±	Compared with same period last year ±	Per capita savings yuan	Compared with beginning of year yuan ±
National total	6,375,489	126,474	276,316	4,959,154	578,049	285,762	58.95	6.87
Beijing	155,893	1,226	16,474	87,950	21,225	5,218	227.85	54.99
Tianjin	69,222	1,188	7,078	50,033	8,649	1,050	136.33	23.57
Hebei	562,389	30,930	10,515	453,906	46,430	10,755	96.00	9.82
Shanxi	253,150	7,376	10,647	210,423	22,761	2,083	101.02	10.93
Nei Monggol	75,829	-3,592	5,331	60,853	-2,048	4,360	42.68	-1.44
Liaoning	291,223	-13,300	207	241,422	17,527	-4,306	107.36	7.84
Jilin	130,031	-6,008	4,385	109,133	3,432	1,517	73.84	2.30
Heilongjiang	118,042	-9,504	1,128	102,954	-1,477	-1,214	50.69	0.73
Shanghai	124,929	-10,826	-3,003	82,259	22,592	1,819	283.61	60.32
Jiangsu	492,348	-29,401	17,221	363,838	30,874	7,858	69.83	5.55
Zhejiang	362,819	32,850	30,050	257,111	51,894	26,218	76.33	5.20
Anhui	175,440	10,136	14,984	124,556	15,219	14,163	28.12	3.44
Fujian	188,215	19,767	11,188	133,018	25,332	11,252	59.46	11.32
Jiangxi	113,362	2,837	12,738	89,888	9,705	12,701	31.86	3.44
Shandong	808,834	-53,950	6,416	668,213	17,826	23,848	98.94	2.64
Henan	340,435	-16,778	-21,699	289,663	9,887	-8,617	42.49	1.46
Hubei	187,036	-20,044	-2,021	145,935	-8,694	1,542	36.28	-2.13
Hunan	211,856	21,663	23,276	163,690	31,633	21,938	33.90	6.55

[continued]

Guangdong	825,703	148,839	85,544	594,502	167,290	97,927	139.57	33.52
Guangxi-Zhuang	118,263	23,121	23,520	90,752	21,577	18,809	27.48	5.53
Sichuan	360,964	15,403	16,691	266,726	43,806	24,367	29.81	5.00
Guizhou	43,602	986	3,332	28,088	3,502	3,190	10.95	1.35
Yunnan	106,082	3.841	5,064	59,854	8,216	3,888	20.28	2.78
Xizang		-10,147	-9,150		-2,247	-1,699		
Shaanxi	137,212	9,504	7,891	102,726	16,207	8,239	41.98	6.62
Gansu	64,732	- 5,042	- 576	41,754	2,745	1,926	24.59	1.82
Qinghai	16,327	- 4,571	-1,520	5,663	- 554	247	18.99	-1.89
Ningxia-Hui	19,099	- 877	- 211	13,983	208	310	43.14	0.85
Xinjiang-Uygur	47,459	-10,655	821	31 080	-5,668	-2,622	34.08	-6.21
Taiwan Province								

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FINANCE AND BANKING

AGRICULTURAL LOANS UP 50 PERCENT IN FIRST 6 MONTHS OF 1985

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 19 Aug 85 p 2

[Agricultural Bank's RURAL ECONOMIC INFORMATION: "Agricultural Bank's Deposits and Loans in First Half of 1985"]

[Text] In the first half of this year, the nation's agricultural banks at all levels, by implementing and fulfilling in earnest Central Committee Document No 1 (1985) and the spirit of the State Council directive in connection with intensification of macroadjustment and institution of control over the magnitude of loans, had laid a firm hold on the work of soliciting savings, amassing deposits, giving energetic support to spring farming and production, as well as procurement of agricultural and sideline products, and readjusting the structure of rural industries, simultaneously with the establishment of control over the size of loans. During this first half of the year, under conditions of the shortage of funds, spring farming and production as well as beyond-the-year procurement of agricultural and sideline products were provided with the funds they needed, with fruitful results achieved also in controlling the size of loans. As of the end of June, deposits of the various types in agricultural banks amounted to 70,706,000,000 yuan, down 3,297,000,000 yuan from the beginning of the year, a decrease of 10,176,000,000 yuan as compared with the corresponding period of last year; loans of the various types reached 143,364,000,000 yuan, down, 2,622,000,000 yuan from the beginning of the year, a decrease of 4,232,000,000 yuan as compared with the same period of last year (including loans for food grains, loans for the food system's procurement of agricultural and sideline products, and certain other factors that cannot be compared with last year); on balance, loans outweighed deposits by 675 million yuan, in net credits for the first half of the year.

Substantial, Sustained Growth of Savings Deposits in Rural Areas: In the first half of the year, agricultural banks at all levels, acting in line with the spirit of a meeting of branch managers held early in the year, made solicitation of savings deposits a task of paramount importance to be secured. Most banks by far had adopted the positive measures of starting savings business, establishing new special counters as well as stations and networks for savings deposits, and improving the quality of services, which brought about a big and sustained rise in savings deposits in rural areas, and which played a definite role in alleviating shortage of funds. In the first half of the year, savings deposits in agricultural banks reached 12,703,000,000 yuan, up

2,652,000,000 yuan over the beginning of the year, an increase of 2,079,000,000 yuan as compared with the same period of last year.

Strengthening of Internal Management of Banks, Increase of Credit Cooperative Deposits in Banks: The deposits of credit cooperatives in the banks amounted to a total of 26,498,000,000 yuan in the first half of the year, down 7,579,000,000 yuan from the same period of last year. Of this, deposits of a general nature in credit cooperatives dropped 2,947,000,000 yuan, as compared with the same period of last year. As a result of strengthening the internal management of agricultural banks, of placing stronger emphasis on the system of requiring credit cooperatives to put their deposit reserve fund into banks, and of stipulating that a proportion of 30 percent of deposits in credit cooperatives should be kept in banks, the deposit reserve fund of credit cooperatives put into the banks went up by 6.72 billion yuan by the end of June, an increase of 4,632,000,000 yuan over the same period of last year, which indicated that the proportion of deposit reserve fund to the combined total of deposits in credit cooperatives rose from 16.41 percent in the beginning of the year to 26.63 percent at the end of June. Included in this upsurge was a proportion of more than 29 percent in deposit reserve funds credit cooperatives put into banks in the provinces and municipalities of Beijing, Hebei, Shanxi, Shanghai, Tianjin, and Shandong. Turning in a proportion of less than 20 percent of deposit reserve fund were Yunnan, Jilin, and Jiangxi Provinces.

Trends of Excessive Increases in Loans to Township and Town Enterprises Placed Under Control: At the beginning of this year, when the governments in all areas were pinning their hopes of doubling agricultural output on development of township and town enterprises, there was a tremendous growth and rapid expansion of these enterprises in the various localities that magnified the need for more funds. Acting in compliance with the spirit of the State Council's "Emergency Circular on Draconian Control of the Magnitude of Loans to Township and Town Enterprises," the head office of the agricultural banks made definite achievements in drawing up plans for reduction of above-quota loans and in doing a lot of work on grassroots banks. By the end of June, loans to township and town enterprises totaled 17.42 billion yuan, up 1,653,000,000 yuan over the beginning of the year, yet down 1,242,000,000 yuan from April, the month when loans soared most rapidly in the first half of the year. Nationally, loans to these enterprises were kept within the limit of a planned increase of 2 billion yuan over the beginning of the year. However, there were still 14 provinces and autonomous regions that surpassed the planned targets of loans, including the provinces and municipalities of Shanghai, Hunan, Anhui, Liaoning, Jiangxi, Yunnan, Shaanxi, and Gansu, where loans exceeded planned targets by more than 10 million yuan.

Banks' Release of Excessive Supporting Funds to Credit Cooperatives Held in Check Basically: In the first 4 months of this year, banks began extending excessive supporting funds to credit cooperatives. For this reason, the head office of the banks issued a timely circular to rectify the situation. By the end of June, the supporting funds released by banks to credit cooperatives reached 5,719,000,000 yuan, an increase of 2,603,000,000 yuan over the

beginning of the year, yet a decrease of 310 million yuan from the same period last year. This was the same as April this year, when lending of supporting funds reached its peak.

More Agricultural Loans Recalled and Released, Rates of Recalled Loans Increasing Continuously: In order to secure supports for agricultural production under a prerequisite of rigidly controlling the magnitude of loans, the agricultural banks have adopted positive measures for stepping up the work of recalling overdue loans and for ensuring satisfaction of the needs of spring farming and production and beyond-the-year procurement of agricultural and sideline products. Agricultural loans released by agricultural banks in the first half of this year (not including loans released to village and town enterprises) amounted to a combined total of 14,843,000,000 yuan, representing a rise of 4,912,000,000 yuan above the corresponding period of last year, up 49.5 percent; agricultural loans recalled (not including loans recalled from township and town enterprises) reached a combined total of 9,316,000,000 yuan, indicating an increase of 4,755,000,000 yuan from loans recalled in the same period of last year, up 96.3 percent, showing a recalling rate of 62.76 percent, up 16.76 percent from the same period last year.

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FINANCE AND BANKING

BRIEFS

PRC TREASURY BOND REDEMPTION--Beijing, 15 March (XINHUA)--All newspapers in the Chinese capital today published the numbers of treasury bonds due to be redeemed at interest between 1986 and 1990. The bonds, worth a total of 4,665 million yuan, were sold in 1981. The numbers for each year were decided by a lottery organized in Beijing on Friday by the Ministry of Finance. They were published in an announcement signed by Wang Bingqian, state councillor and minister of finance. The repayment will be made from 1 July to 30 September every year by the bank of China and other specialized banks. More than 1,800 representatives of all walks of life in Beijing were present at the lottery. [Text] [Beijing XINHUA in English 0729 GMT 15 Mar 86 OW] /12232

CSO: 4020/253

MINERAL RESOURCES

PRECIOUS MINERALS FIRST DISCOVERED IN HEILONGJIANG

Harbin HEILONGJIANG RIBAO in Chinese 28 Dec 85 p 1

[Article by Wang Jiahua [3769 1367 5479]: "Four Precious Mineral Deposits Discovered in Heilongjiang for the First Time"]

[Text] This year Heilongjiang geological workers have for the first time in discovered deposits of ruby (and sapphire), sodium bentonite, pyrophyllite, and manganotantalite deposits, all being precious minerals. Up to now, 111 types of minerals have been discovered in this province (150 nationally).

Ruby and sapphire were discovered in Muling County. Ruby, the more precious of the two, is called the "king of precious gem stones," and had been discovered only in Hainan Island. On the international market, a carat of fine-quality ruby costs as much as $14,000. The rubies (and sapphires) discovered in Heilongjiang are of different colors, including violet, rosy red, pink, light blue, and ocean blue. The body is crystal-clear and of irregular shape. The largest size is 1 carat. According to appraisal by the department concerned, the sapphires discovered this time are of the best types in the country with respect to its transparancy, color and luster.

The sodium bentonite discovered in Nenjiang County is different from the usual calcium bentonite. It has the special characteristic of expanding to several times its original size and is indispensable for oil drilling and the ceramic and metallurgic industries. The pyrophillyte discovered in Dongning County has many uses. Besides being a refractory material, a ceramic material, and as an additive in the rubber and paper-making industries, the type that has a fine luster and gorgeous color can be made into arts and crafts articles having a strong artistic appeal. (The famous Shoushan stones and chicken-blood stones are in fact only made of pyrophillyte.) Finally, a manganotantalite mine was discovered in Hulin County for the first time by the first district prospecting team. This mineral contains a type of rare metal--tantalum. An analytic test has shown that some of the samples are already up to the industrial grades. Tantalum has the properties of superconductivity and single-pole conductivity, and is an important metal that is indispensable to the electronic industry and the development of space technology.

9411
CSO:4006/681

MINERAL RESOURCES

NEW MINERAL DEPOSITS DISCOVERED IN XINJIANG

Urumqi XINJIANG RIBAO in Chinese 7 Jan 86 p 2

[Article by An Qiongwei [1344 8825 3837] and Song Jiangzhong: "New Glory to the Precious Soil of Xinjiang"]

[Text] The geology and mining administration bureau of Xinjiang has overfulfilled its major work quotas for 1985, and made remarkable achievements in opening new geological markets for more geological work to be done.

In 1985, this bureau achieved a drilling footage of 115,000 meters, explored 42,000 cubic meters of trenches, sank 664 meters of shallow wells, conducted regional surveys over an area of 26,000 sq km on a 1:1 million scale; more than 9,300 sq km on a 1:200,000 scale; and 4,860 sq km on a 1:50,000 scale. A total of 31 mineral sites were newly discovered, including 16 large and medium mineral deposits (and water sources) ready for detailed surveys. There are such minerals as coal, copper, nickel, marble, asbestoes, mirabilite, muscovite, cement rocks, clay, quartz, and diabase deposits in addition to water sources. Fifteen other sites that are worth further explorations have deposits of gold, graphite, pearlite, gypsum, kaolin and talc in addition to underground water.

This bureau has fulfilled all state plans for mineral deposits. The plan for copper deposits was fulfilled 140 percent; for nickel, 113 percent; for gold, 110 percent; for coal, 203 percent; and for cement clay, 455 percent. The amount of social funds absorbed was 3.3 times the planned figure, a 4.5-fold increase over 1984.

At the end of 1985, the leadership of this bureau held a meeting of experts to check on and evaluate the major achievements in geology. Based on the year-end evaluation and comparison, the meritorious units and personnel will be duly commended and rewarded.

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CSO:4006/681

MINERAL RESOURCES

ANHUI'S GRATIFYING RESULTS OF GEOLOGICAL PROSPECTING

Hefei ANHUI RIBAO in Chinese 24 Dec 85 p 1

[Article by Xu Dongqin [6079 2639 0530] and Cheng Dehan [4453 1795 3352]: "Gratifiying Results of Geological Prospecting in Anhui During Sixth 5-Year Plan"]

[Text] The Geology and Mining Administration Bureau of Anhui fulfilled the annual geological prospecting plan and over-fulfilled the task of increasing the mineral reserves set in the Sixth 5-Year Plan more than 1 month ahead of schedule. By now, the province has discovered nearly 90 type of minerals, and verified the deposits of 50 of them. Anhui has superior resources of coal, iron, copper, sulphur, vanadium and 13 other minerals which are among the top 10 the country. Its deposits of coal, iron and sulphur rank first in Eastern China.

During the Sixth 5-Year Plan period, the masses of workers and staff members in the geological system persistently kept up prospecting as their main concern and continued to work for greater economic and social benefits. In the past 5 years, the members of the geological prospecting teams discovered and verified more than 300 mine sites containing more than 24 types of minerals. More than 40 other sites of industrial significance have also been confirmed by surface data and drilling. These teams have submitted 319 geological reports of various types, including 32 reports on the large and medium-size mines. The output quotas set in the Sixth 5-Year Plan for the reserves of coal, iron, copper, sulphur, phosphate, lead, gold, bentonite, barites, fluospar, marble, porcelain clay, cement, limestone and four others were over-fulfilled one to three-fold. At the same time, the mineral reserves including zinc, hard gypsum, cement clay, and associated vanadium, molybdenum and silver and 13 others were verified, in addition to the reserves of wallastonite, sillimanite, zeolite, pearlite, tungsten, and peat which were verified for the first time. Among the nonmetallic minerals discovered in the province for the first time were graphite, and heavy rare earths, which not only filled a gap, but also provided important clues to the discovery of new minerals in the future.

During the Sixth 5-Year Plan, the geological system in Anhui also stepped up their research in basic geology and in various aspects of hydrology, engineering geology, environment geology, and urban geology. Their research will provided rich basic geological data for construction planning in the province's national economy.

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CSO:4006/671

MINERAL RESOURCES

NEI MONGGOL GOLD OUTPUT QUOTA FULFILLED AHEAD OF SCHEDULE

Hohhot NEIMENGGU RIBAO in Chinese 24 Dec 85 p 1

[Article by Gao Wenxiu [7559 2429 0208]: "Nei Monggol's Annual Gold Output Quota Fulfilled Ahead of Schedule"]

[Text] By the end of November, Nei Monggol had already fulfilled its gold output quota ahead of schedule. The output also increased 6.3 percent over the same period last year.

This year, the masses of workers and staff members on the gold production front of the autonomous region made great efforts in tapping the potential of the existing gold mines and in transforming and expanding the projects so as to raise their technical standards and to prepare the way for continued production. In the current year, an amount of 7.62 million yuan was allocated for the technical transformation of the key gold mines and another 3.3 million yuan for the expansion of capital construction projects. These allocations have encouraged the gold mines to take the road of intensive development. The transformation of Vein No 35 of the Jinchang Gouliang Gold Mine is beginning to show its effects, and the gold output increased 21.9 percent over the same period last year. To streamline the relationships among the mines run by the state, the collectives and the broad masses, the Gold Company of the autonomous region and the administrative departments of the leagues, cities, banners and counties concerned have signed contracts under the production responsibility system which resulted in the harmonious, stable and healthy development of gold production.

While carrying on production, the workers and staff members on the gold production front are also collaborating with the departments concerned in stamping out gold smuggling and other illegal activities. Thanks to mass cooperation, 197 cases of gold smuggling were brought to light in Zhuoji County last October. More than 16,000 grams of gold was recovered and the amount of cash confiscated and fines imposed totaled more than 500,000 yuan.

9411
CSO:4006/671

INDUSTRY

PRODUCTION OF MORE THAN 600 NEW TEXTILE MACHINES IN CHINA

Beijing JINGJI RIBAO in Chinese 23 Jan 86 p 2

[Article by Deng Zhongyuan [6772 0022 0337]: "More than 600 Types of New Textile Machines Produced in 5 Years"]

[Text] During the Sixth 5-year Plan, China has trial manufactured 672 new types of textile machines, of which 22 percent are up to or approach the advanced international standards, and 27 percent have filled a gap in China. The properties of the other products have also reduced the difference between our products and those of the international standards.

The complete set of equipment capable of an annual output of 50,000 tons of short polyester fibers is an extra large equipment of which there are only a few sets in the world. After 3 years of combined efforts from 12 provinces and municipalities and more than 4,000 collaborating units in the country, more than 200 knotty problems were solved, and the trial manufacture of this equipment was finally a success. The chemical fiber output in China is now much higher.

The design-printing machine with circular screens is one of the key devices in the printing and dyeing industry. For this device, we had to rely on imports in the past. After 3 years' effort, these home-produced machines have now approached advanced foreign standards of the same products. The successful trial manufacture of the post-finishing machine for bedsheets with a width of 2.8 meters, the tensionless dyeing and printing machine for knit goods with a width of 2.2 meters, and the equipment in complete sets for low bath ratio dyeing of bobbins, suitable for the production of many varieties in small lots, and with good energy conservation effects, has filled a gap in China.

The reeling cradle of fine-woolen yarn spindles is a key drawing accessory for increasing the evenness of spun woolen yarns. It has been trial manufactured in China and its property approaches that of well-known foreign brands. The Model 1511 and Model 1515 looms of the 1950's are now mostly used in China. After more than 30 reform measures, the defects have been reduced 50 percent and the consumption of materials reduced one-third. Their performances have markedly improved. This has been the greatest improvement in 30 years.

9411
CSO:4006/724

INDUSTRY

GIOV OF 15 CITIES TOPPED 10 BILLION YUAN

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 19 Jan 86 p 1

[Text] The gross industrial output value [GIOV] of Nanjing, Dalian, Qingdao, Chengdu and Changzhou topped 10 billion yuan in 1985. By now, the number of cities with their industrial output value topping 10 billion yuan in the country has been increased to 15. This information was obtained by our correspondent from the responsible comrades of the five cities attending the national conference on economic work, and has been verified by the State Statistical Bureau.

The gross industrial output value of these five provinces (including that of rural industry) was as follows: Nanjing, 12.4 billion yuan; Dalian, 11.4 billion yuan; Qingdao, 11 billion yuan; Chengdu, 10.6 billion yuan; and Changzhou, 10.3 billion yuan.

Industrial production made good progress in these five provinces last year, and the increase rate for them all was above 15 percent. The prosperity was characterized by a simultaneous development of various sectors and various forms including the state sector, the collective sector, the individual sector, joint Chinese-foreign ventures, and urban and rural industries.

The organization of production with economic results as its goal has led to a fairly great improvement in industrial economic results among these five cities. Qingdao's industrial output value increased 19 percent, but its energy consumption in industry increased only 1.6 percent. In Nanjing and Changzhou, the state revenues increased more than 20 percent, and in Chengdu and Dalian, the increase in profits, taxes and state revenues was more than in the output value.

Before 1985, as we understand, the industrial output value of only Shanghai, Beijing, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Hangzhou, Wuxi and Suzhou was more than 10 billion yuan. Last year, these 10 cities continued their steady industrial growth on the basis of improved economic results. According to calculation, the industrial output value of the 15 cities, each topping 10 billion yuan, accounted for one-third of the gross national industrial output value.

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CSO: 4006/724

INDUSTRY

NUMERICALLY CONTROLLED MILLER SUCCESSFULLY MANUFACTURED

Beijing JINGJI RIBAO in Chinese 29 Jan 86 p 2

[Article by Qing You [7230 2589]: "Numerically controlled Millers up to the Standards of the 1980's Successfully Manufactured in China"]

[Text] Two types of advanced numerically controlled machine tools to be used in the design and manufacture of aircraft parts, namely, the three-coordinate numerically controlled miller and the five-coordinate numerically controlled miller, were successfully manufactured by the aeronautic technological research institute of the Ministry of Astronautics not long ago.

With the aid of electronic computers in design, these numerically controlled millers, which are up to the standards of the 1980's, can help shorten the trial manufacture period of airplanes with very remarkable economic results. As we understand, when the five-coordinate numerically controlled miller manufactured by this institute was used to process a new type of aircraft part of the Shenyang Aircraft Plant, the trial manufacture period was reduced by 6 months with a saving of 122 steps and 2 million yuan. The machine tools of this kind, formerly produced in small quantities, were only up to the international standards of the 1960's in terms of technology and performance. They were inadequate for our requirements, and only a few countries in the world could produce them. To reduce the gap between the Chinese and the international standards in the technology of designing and manufacturing aircraft, the problem of modernizing the production equipment was in urgent need of solution. On the basis of full investigation and appraisal, this research institute studied the similar equipment of other countries, and then supplied reliable data for the trial manufacture of prototype airplanes.

On the question of importing advanced equipment from abroad, this institute was of the opinion that the basic way to reduce the gap was to raise our own standards, since sole reliance on the purchase of equipment would still fail to accomplish this purpose. The main goal of importing technology should be to strengthen our self reliance. Therefore, the institute made full use its technical resources in the comprehensive and in-depth analysis and assimilation of the advanced foreign technology from the time when it first assembled the parts imported as bulk cargoes, and then replaced them with more and more domestically produced components and raw materials. Through the efforts in various quarters, it was able to begin the manufacture of its own

prototype airplane and the small-scale production of components and raw materials in only 4 years. At present, 30 out of the 48 parts in the machine tool are produced in China. A total of 139 types of materials and 150 sets of components, 70 percent of the grand total of materials and components, are now being used. The numerically controlled machine tools made of domestically-produced components and raw materials are up to the standards of similar numerically controlled machine tools of foreign countries, and the computer technology has reached the standards of the early 1980's. This not only marks a new development of China's technology in the manufacture of machine tools, but also reduces the time-lag between China and the foreign countries in the technology of manufacturing advanced products by more than 10 years. Because of its mastery of advanced technologies, this institute has also trial manufactured a four-coordinate numerically controlled miller urgently needed for the production of helicopter parts.

This institute has now received orders from the major aeronautic plants for 16 sets of equipment to be used entirely for research in manufacturing new airplanes. If all these sets are purchased from foreign countries, we will not only fail to learn any new technology or to improve the technology of producing machine tools, but also have to spend more than $10 million. Now that China is able to manufacture these machine tools, its expenditures in technical transformation alone will be reduced by 12 million. The value would be even greater if the economic results in production are also taken into account. The successful manufacture of this machine tool will not only meet the requirements of China's aeronautical industry for the next 10 years, but also set a good example for the proper handling of imports.

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CSO: 4006/727

INDUSTRY

JIANGSU MAINTAINED SMOOTH INDUSTRIAL DEVELOPMENT IN 1985

Nanjing XINHUA RIBAO in Chinese 17 Jan 86 p 1

[Text] According to data released by the provincial Statistical Bureau, Jiangsu's industrial production underwent a sustained, steady and harmonious development in 1985. The output of coal, steel, generated power and durable consumer goods increased by a fairly wide margin, and the economic results were markedly improved. The total annual industrial output value (not including that of the village and the lower levels) reached 86.354 billion yuan, a 27 percent increase over the previous year.

Last year, Jiangsu earnestly implemented the directive of the Party Central Committee and the State Council on strengthening macroeconomic control, and made great efforts in eliminating certain unstable factors which occurred in the economic life during the fourth quarter of 1984. As a result, the rate of increase in industrial production dropped from 33.1 percent in the first half year down to 21.1 percent in December. The high growth speed in the first half of last year was mainly due to the excessive increase in the township industry. Through a series of measures, the growth rate of township industry was gradually lowered from 94.3 percent in January to an annual average of 53.1 percent. The industries owned by the whole people, however, all along had a sustained, steady and balanced development and the growth rate ranged between 15 percent and 19 percent.

Jiangsu's light and heavy industries also developed harmoniously last year. The ratio between the light and the heavy industry was generally 57:43. Early last year, Jiangsu witnessed an excessive growth speed of heavy industry. In January the growth rate of heavy industry was as high as 39.4 percent while that of light industry was only 27.2 percent. To enrich the urban and rural markets and to meet the people's daily needs, the provincial and municipal authorities conscientiously abided by the "six priorities" principle in their strong support of those enterprises, which produced durable consumer goods and minor commodities for daily use. Priority in the supply of electricity, coal, gas, raw materials, and transportation facilities as well as the allocation of funds was given to these enterprises so that these limited resources could be used in developing the light and textile industries. Through these efforts, the slow growth of light industry and the excessive growth of heavy industry were changed. The output value of heavy industry was 36.754 billion, a 28.1 percent increase, while that of light industry was 49.6 billion yuan, a 26.6

percent increase over the previous year. The rate of increase in such easily marketable items as TV sets, cameras, cassette recorders, household refrigerators and electric fans, ranged from 50 percent to 120 percent, while woolen fabrics, woolen yarns, silk, beverage and synthetic detergents also increased more than 30 percent.

In 1985, while strengthening the macroeconomic control over industrial production, Jiangsu also stimulated the microeconomy according to local conditions. Many enterprises actively carried out internal transformation and formed external relations in order to further increase their vitality for the development of production. Their economic results were markedly improved. The province basically attained the objective of increasing both production and income, and its revenues were increased 17.8 percent over the previous year. The sales proceeds of the collectively owned local industry also increased 18.4 percent, the profits realized increased 15.6 percent, and the profits delivered and taxes paid increased 15.7 percent over the previous year, all higher than the 14.2 percent increase in the total output value of comparable items calculated at the constant prices. The achievement of these "three simultaneous increases" along with the high speed of industrial growth are certainly a good sign of further development.

There were also some problems in Jiangsu's industrial production last year, as shown in the high speed of increase in output value and the uneven improvement of economic results. The profits and taxes realized increased fairly rapidly and labor productivity was raised. However, the production cost of comparable products and the amount of losses were higher, energy consumption was not reduced as much as in the previous year, and the quality of products is not stable enough.

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CSO:4006/710

INDUSTRY

INDUSTRIAL DEVELOPMENT IN JILIN PROVINCE REPORTED

Changchun JILIN RIBAO in Chinese 17 Jan 86 p 1

[Text] The following information was obtained by our correspondent from the provincial planning and economic departments today: Last year, by strictly enforcing the state's macroeconomic control, treating the improvement of economic results as its central goal and the economic reform as its foremost concern and fully tapping the internal potential of the enterprises, the industry and transportation sector of Jilin has triumphed over various difficulties and continued the simultaneous increase in output value, taxes and profits, and state revenues for the fourth consecutive year. The total industrial output value of the province reached 21.3 billion yuan, a 14 percent increase over the previous year. The local industrial enterprises that were included in the budget also increased their output value 10.9 percent, their sales proceeds 19.9 percent, and their taxes and profits 21.7 percent, over the previous year.

Industry in the province maintained its sustained and steady growth last year. Heavy and light industries developed in harmony, and the product mix underwent some changes. There was a large increase in the output of some durable goods, a sustained and steady increase in energy and major raw material industries, and remarkable success in the development of new products. A total of 1,400 new varieties made their appearance in the province and created an output value of 720 million yuan. The profits realized exceeded 70 million yuan. The quotas for communications, transportation and posts and telecommunications were all fulfilled, and the economic results continued to improve.

The main causes of the province's success in industry were as follows: First, the guidelines were clear and the improvement of economic results was constantly stressed as a matter of primary importance. Last year, there was a shortage of raw materials and energy for industrial production in addition to the scarcity of funds and other real difficulties. To cope with these problems, the provincial party committee and the provincial government took some effective measures and launched a campaign in the industry and transportation sector to "improve the economic results," to "increase production and practice economy," to "increase the income and curtail expenses," and to "improve the economic results in aid of disaster areas." They persisted in seeking truth from facts, and strove only for realistic speed and benefits. Second, the in-depth economic structural reform increased

the enterprises' vitality. During the reform, attention was also paid to the consolidation of enterprises and the strengthening of the basic work in order to raise the standard of enterprise management. Third, the activities of bringing in investment from abroad and forming lateral ties at home were stepped up and the lateral economic relations were strengthened to improve the economic results. Up to now, according to preliminary statistics, the province has already started more than 1,500 cooperative projects, brought in funds of more than 100 million yuan, and imported more than 630 technologies, in addition to some 3,200 skilled personnel. The extensive links among enterprises have resulted in the formation of many enterprise groups headed by the producers of competitive goods. Fourth, by relying on technical progress and attending to the technical transformation of the enterprises, the province was able to strengthen the continuity of industrial production.

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CSO:4006/708

INDUSTRY

INDUSTRIAL DEVELOPMENT IN QINGHAI REPORTED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Jan 86 p 3

[Article by Zhang Rongda [1728 2837 1129]: "Qinghai's Industry Embarking on Path of Healthy Development"]

[Text] In industrial construction, Qinghai has changed the former guideline of striving for the "large and complete." Proceeding from the realities of the province, it has made great efforts to develop those trades for which the province has superior natural resources. This measure has given a new life to its industry which now has a fairly solid foundation and a fairly rational structure with greater adaptability.

Natural conditions are fairly poor and the standards of science and technology are fairly low in Qinghai. Its industrial development is therefore restricted by many factors, such as transportation, raw materials and the market. For some time in the past, however, Qinghai mechanically followed the examples of other provinces and set up many enterprises with poor resourses, a very limited market, and poor economic results. Thus for a long time, industry failed to make any headway.

To change this passive situation, the province readjusted its industrial structure in recent years. First, it strengthened the light and textile industries which use animal products as raw materials. Then, by importing advanced technologies and equipment, strengthening the internal economic relations and cooperation, conducting important scientific research, tapping potential, equipment renovation and technical transformation, it was able to increase its light industry output value at a progressive rate of 10.64 percent each year, and to more than double the output value of its animal product processing industry during the Sixth 5-Year Plan. There are now more than 50 animal product processing enterprises in the province, and the output of woolen yarn, plush, woolen blankets, woolen and worsted fabrics, heavy woolen cloth, leather, fur, fur products, and milk products has been greatly increased. These products are selling well throughout the country, and some of them even became Qinghai's staple export commodities. In its textile trade, the number of enterprises which had not incurred any loss in 6 consecutive years ranked first in the country.

At the same time, unified planning was strengthened in its industrial structure and layout and great achievements were made in the concentration of manpower, materials and money on the development of those trades and departments having good resources and producing good economic results. The output of farm machines, machine tools and other items that were blindly produced was reduced, and more than 70 enterprises producing unmarketable goods or poor economic results were closed, suspended, merged or retooled for other lines of products, so that the money and technical resources thus saved could be used to develop the trades with good resources. The number of coal mines in Qinghai was increased to more than 50 in the past several years, and last year, the margin of increase in its coal output was above the national average. The output of gold, asbestoes, lead, zine, cement and gypsum was also increased by a fairly wide margin. The production of pure silicon was developed through the utilization of Qinghai's rich quartz resources and its abundant electric power. Now the output of pure silicon in Qinghai accounts for two-thirds of the national total, and its exports in the past 5 years brought in $13 million in foreign currency.

As a further boost to its economic development, Qinghai is now intensifying its efforts on some large engineering projects by relying on local resources. The Longyangxia Hydropower Station, the Shitieshan Aluminum and Zine Mine, and the first stage of engineering for the Qinghai Lead Plant will be completed and ready for operation in 1 or 2 years, and the output value is expected to be increased by more than 730 million yuan. Active preparations are now being made for some large engineering projects, such as a potassium fertilizer plant with an annual output of 200,000 tons, an oil refinery with a productive capacity of 1 million tons, and the Lijiaxia Hydropower Plant in the upper reaches of the Huanghe.

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CSO:4006/708

INDUSTRY

DEVELOPMENT OF TEXTILE INDUSTRY IN SHAANXI REPORTED

Xian SHAANXI RIBAO in Chinese 30 Dec 85 p 1

[Article by Zhao Wutai [6392 0063 0669] and Shen Yunjun [3088 0061 7486]: "A Good Start for Production and Marketing after Reform in Shaanxi's Textile Industry"]

[Text] The textile industry in Shaanxi, one of its major industries, has surmounted its difficulties, thanks to the reform. At the end of November, the total output value of the province's textile industry reached 2.7 billion yuan, the sales proceeds amounted to nearly 2.1 billion yuan, and the taxes and profits totaled more than 350 million yuan, all showing large increases over the same period last year. The situation of both production and marketing is fine.

Shaanxi's textile trade did not fare well in the past several years. This year, the textile departments adopted a series of reform measures and surmounted their difficulties. First of all, the provincial textile company changed its official work style and devoted its efforts to providing guidance for the enterprises. The economic research center, formed last year, used scientific methods to conduct a sample survey on the conditions of supply and demand for textile products among more than 800 peasant households and 1,500 urban households, analyzed the data, and made forecasts on the market trend and the development of textile products so that blind production could be avoided. The company also boldly reformed the planning structure and reduced the number of various indices from 99 to 12. The enterprises were thus freed from the complicating indices and able to produce marketable knitwears and to expand their market with the improvement of economic results as their central goal. At the same time, the enterprises formed lateral integration extensively across regional and departmental borders and obtained remarkable economic results. Twenty enterprises have stopped their losses and thus saved 2.54 million yuan. In the summer-autumn national textile goods supply meeting, the volume of Shaanxi's transactions ranked third among all fraternal provinces and cities in the country.

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CSO:4006/708

INDUSTRY

DEVELOPMENT OF ANHUI'S LIGHT INDUSTRY REPORTED

Heifei ANHUI RIBAO in Chinese 18 Dec 85 p 1

[Article by Shen Qingyuan [3088 3237 3293]: "Anhui's Light Industry Made Gratifying Progress during Sixth 5-Year Plan"]

[Text] Anhui's light industry sector made gratifying progress in the production of consumer goods during the Sixth 5-Year Plan as shown in the following major aspects:

Sustained development in production. During the Sixth 5-Year Plan, Anhui's light industry was able to maintain its fairly rapid development with an average progressive increase of 12.3 percent each year. Its output value is expected to exceeded 3.3 billion yuan this year, and the increase rate will be much higher than during the Fifth 5-year Plan when the average increase rate was only 4.8 percent. The output value during the Sixth 5-year Plan was increased by 1.4 billion yuan. The output of most major or key items may reach or exceed the quotas set in the Sixth 5-year Plan. The proportion of Anhui's light industry output value in the total national output value has risen from 2.54 percent to 2.87 percent.

Continued improvement of econonomic results. In the past 5 years, Anhui realized 1.9 billion yuan of profits and taxes in its light industry, including some 1.35 billion yuan in the first light industry and some 550 million yuan in the second light industry. Both production and economic benefits were simultaneously increased. In 1985 alone, more than 500 million yuan of taxes and profits was realized in the light industry which also delivered goods of 750 million in value for exports.

Steady quality improvement. Up to 1984, the light industry of Anhui produced 197 fine-quality products above the provincial level and the proportion of fine-quality products reached 23 percent. More than 1,400 new products and some 3,000 new varieties were developed, and 215 of these new products won scientific and technical achievement awards or fine-quality awards from above the provincial level. Many of these fine-quality products have reached the advanced standards of the same trades in the country and have become really competitive products that can stand the toughest test. Among them are the Gujinggong wine and the high-quality Xuancheng paper, which won gold medals from the state; the Changjiang 5-lb vacuum flasks and their glass liners, the

Lion-Head photographic films, the Double-Happiness white grape wine, and the Hukaiwen top-quality Chinese ink of Hui County which won silver medals from the state; and the Kouzi wine, the Taibai wine, the Pengpu white wine, the Fengshou enamel table plates, the Lion-Head edible gelatine, the Fangcou toothpaste, the Yutu toilet soap, the Huyumei spicy broad-bean sauce; the Meilin lunch meat, the ink-slabs of Shexian County, the Baihua laundry machines, and so forth. They are not only selling well in the province and the country but are also exported.

Rapid technical progress. During the Sixth 5-year Plan, Anhui's light industry has accelerated its technical progress and expanded its scope, thus laying a material foundation for even greater future developments. In the past 5 years, a total of 689 capital construction and technical measure projects were completed and 147 projects were imported.

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INDUSTRY

RAPID DEVELOPMENT OF ANHUI'S METALLURGICAL INDUSTRY REPORTED

Hefei ANHUI RIBAO in Chinese 12 Dec 85 p 1

[Article by Jiang Chen [3068 5256]: "Anhui's Metallurgical Industry Developed Rapidly During Sixth 5-year Plan"]

[Text] There is now gratifying news about Anhui's metallurgical industry. The annual production plans for copper, rolled steel, iron ores, gold, copper contents, lead contents, zinc contents, fine molybdenum grains, and steel cables were over-fulfilled 1 month ahead of schedule, and with much higher output than in last year. For example, the output of rolled steel increased 10.48 percent and that of gold increased 24.45 percent over last year.

During the Sixth 5-year Plan, the metallurgical enterprises gradually improved their performance in the course of the reform, as shown by the following characteristics: First, the margin of increase in the output is wider than in the productive capacity. In the case of steel, for example, the productive capacity increased at an average progressive rate of 6.92 percent, whereas the output increased at an average progressive rate of 7.43 percent each year. The productive capacity for nonferrous metals was hardly increased during the Sixth 5-year Plan, but the output increased at the rate of more than 2 percent every year. The progressive rate of increase in the output of electrolytic aluminum was 17.95 percent, far surpassing the rate of increase in the productive capacity. This has been the result of potential tapping, transformation, expansion and the auxiliary projects guided by the policy of "opening the country to the outside world and invigorating the economy at home." Second, the rate of increase in the output of final products was higher than in the output of semifinished products and raw materials. During the Sixth 5-year Plan, the average progressive rate of increase in the output of rolled steel was 12.08 percent each year; in the output of copper, iron and iron ores, it was only 6.92 percent, 2.5 percent, and 3.68 percent respectively. Third, the economic results were good. The profits realized increased at an average progressive rate of 11.27 percent each year, and the profits delivered and taxes paid increased at an average progressive rate of 9.99 percent a year, both being higher than the 8.82 percent increase in the output value.

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INDUSTRY

RAPID DEVELOPMENT OF ANHUI'S CHEMICAL INDUSTRY REPORTED

Hefei ANHUI RIBAO in Chinese 19 Dec 85 p 1

[Article by Ling Yiwen [0407 0110 0429]: Anhui's Chemical Industry Developed Rapidly During Sixth 5-year Plan"]

[Text] By firm adherence to the policy of "readjustment, restructuring, consolidation and improvement, output and productive capacity in Anhui's chemical industry developed quite rapidly during the Sixth 5-year Plan. The product mix is becoming more rational and the economic results have markedly improved.

During the Sixth 5-year Plan, the state set 10 major quotas for its chemical industry, calling for, among others, 909,000 tons of synthetic ammonia, 724,400 tons of chemical fertilizers, and 4,400 tons of insecticide, all in support agriculture. All these quotas were fulfilled 2 years ahead of schedule. In the production of raw materials, the quota of 416,000 tons of sulphuric acid was fulfilled 3 years ahead of schedule. The quotas of caustic soda and soda ash were also fulfilled, and those of plastic products and rubber tires were fulfilled 1 year and 2 years ahead of schedule respectively.

The internal structure of the chemical trade in the province is becoming more rational. In the past, there were more single-line than competitive products, and more products from low-efficiency rough machining than from high-efficiency fine machining. After readjustment in the past few years, the situation has improved as shown by the higher ratio of output value of the organic chemical, basic chemical and rubber processing enterprises.

The economic results of Anhui's chemical industry continuously improved each year during the Sixth 5-year Plan. The average annual increase rates were 8.95 percent for the industrial output value and 16.26 percent for taxes and profits.

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INDUSTRY

ANHUI'S MOTOR VEHICLE PRODUCTION IN 6TH 5-YEAR PLAN

Hefei ANHUI RIBAO in Chinese 5 Dec 85 p 1

[Article by Shun Xiang [7311 4382] and Xu Bin [1776 2430]: "Great Development in Anhui's Motor Vehicle Industry During Sixth 5-year Plan; Nearly 20,000 Vehicles Produced or Remodeled in 5 Years"]

[Text] Anhui's motor vehicle industry underwent great development during the Sixth 5-year Plan and the number of vehicles produced or remodeled approached 20,000. It has become a key industry in the province.

Anhui's motor vehicle industry had a fairly early start, because the 3-ton and 8-ton "Jianghuai" trucks were trial manufactured way back in 1969. However, it foundation was originally weak. The batch process was restricted and the improvement of quality was slow. During the Sixth 5-year Plan, the provincial Machine-Building Bureau and the Motor Vehicle Industry Company made an effort to accelerate the development of this industry. While paying close attention to the technical transformation of the enterprises, they organized the specialization of motor vehicle production. Particularly in the past several years, the production of accessories and spare parts was farmed out to more than 30 enterprises and the level of specialization and productive capacity were further raised. The variety of vehicles was also greatly increased along with the process of remodeling and refitting. The quality of vehicles was also greatly improved. The technical properties of the large and small "Jianghuai" trucks, the leading models, are now up to the advanced standards of the motor vehicle trade in the country. These vehicles are not only selling well in Anhui, but are also sold in other provinces, such as Henan, Hebei, Shandong, Fujian and Guangdong. In January-October this year, the total output value of the motor vehicle industry reached 176 million yuan, a 50.6 percent increase over 1980, the eve of Sixth 5-year Plan, and the profits realized totaled 32.76 million, a 4.4-fold increase over 1980.

Anhui's motor vehicle industry has now joined the nationwide integration of motor vehicle business operation and is importing foreign models and advanced technology in order to step up the technical transformation in preparing for even greater development during the Seventh 5-year Plan.

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INDUSTRY

BRIEFS

SHANGHAI 1985 SHIPBUILDING--The S/S "Taiguhai," a 36,000-ton freighter built by the Hudong Shipyard, S/S "Fengdushan," a 5,000-ton freighter built by the Qiuxin Shipyard, and S/S "Zhenfen No 10," a 20,000-ton freighter built by the Shanghai Shipyard, were signed over and delivered on the same day, 30 December last year. By that time, the ships built within the system of the Shanghai Corporation of Shipbuilding Industry exceeded 400,000 tons. Shanghai's shipbuilding industry made remarkable progress during the Sixth 5-Year Plan, and the tonnage of ships built increased from 180,000 tons in 1980 to 400,000 tons in 1985, or doubled in 5 years. It is now capable of building 60,000-ton vessels, and its products are up to the standards of the famous classification societies of the world. It has adopted the advanced international techniques, and the berth period for vessels of more than 10,000 tons has been reduced to about 3 months. More than 70 of the exported vessels were refitted by itself. In the past 5 years, the shipyards in Shanghai built and exported 66 vessels, totaling 500,000 tons, one-third of the total tonnage built. Recently, despite the serious depression in the ship market, Shanghai shipyards were still able to receive orders for seven vessels totaling 89,000 tons, while offers have also been received for another seven. [Text] [Shanghai JIEFANG RIBAO in Chinese 4 Jan 86 p 1] 9411

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CONSTRUCTION

PROGRESS OF 10 NATIONAL KEY PROJECTS IN ANHUI REPORTED

Hefei ANHUI RIBAO in Chinese 28 Dec 85 p 1

[Article by Xu Kejia [6079 0344 1367]: "Ten National Key Projects Making Speedy Progress and Showing Fine Quality"]

[Text] In Anhui, 10 national key projects are making speedy progress and show high quality. The Huainan and Huaibei Mining Districts, the Luohe and Pingyu Power Plants, the Huainan-Fanchang 500-kv transmission line, the Ningguo Cement Plant, the Hefei National Synchronized Radiation Laboratory, the Tongling Phosphate-Ammonia Plant, the float process production line of Pengpu Plate Glass Plant, and the Renlou Coal Mine of Huaibei, are listed as national and local national key projects. Do to the attention of the provincial party committee and government, and the system of economic responsibility adopted by the departments concerned in land requisition, building demolition, supply of local materials, organization of the workforce, and public bidding, the work this year proceeded rapidly and showed fine quality, a situation rarely seen before. The Huainan and Huaibei mining areas, combined form 1 of the 10 major coal bases in the country, had 26,952 meters of tunneling. After completion and operation of Zhipanyi and Zhuxianzhuang shafts, the Linhuan shaft with an annual capacity of 1.8 million tons is now being inspected for acceptance, and will be in operation soon. The No 1 generating unit of the Luohe Power Plant with a generating capacity of 300,000 kw has been basically completed. The Huainan-Shanghai 500-kv superhigh tension line is an auxiliary project of the Luohe Power Plant. A portion of this cable from Huainan to Fanchang has been completed and is being inspected for acceptance. The Ningguo Cement Plant of Anhui, the first large modern plant of its kind with an annual capacity of 1.5 million tons in the province, is now in the stage of trial production, and has already produced more than 150,000 tons of cement. The Hefei National Synchronized Radiation Laboratory has gained noteriety and won favorable comments at home and abroad about its speedy construction and high quality. Preparations for regular operation of the Tongling Phosphate and Ammonia Plant and for the production line with float process in the Pengpu Plate Glass Plant have been completed, and the auxiliary projects are partially completed. The main shaft of Renlou Coal Mine is in operation ahead of schedule, while the subsidiary and ventilation shafts will be operating by year's end.

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CONSTRUCTION

ANHUI'S ACHIEVEMENTS IN MARKET TOWN CONSTRUCTION REPORTED

Hefei ANHUI RIBAO in Chinese 23 Dec 85 p 2

[Article by Ying Cai [5391 2088] and Dong Ming [2639 2494]: "Anhui's Remarkable Achievements in Market Town Construction During Sixth 5-year Plan"]

[Text] Along with the development of rural commodity production, many peasants have entered the towns to engage in industry and commerce or to develop the tertiary industry. Their actions have greatly accelerated the construction of small towns in Anhui. During the Sixth 5-year Plan, according to a sample survey, houses with a total area of some 30 million sq m have been built, more than 35 million km of streets have been repaired or widened, and 119 agriculture-trade markets, occupying a total area of 1.72 million sq m have been constructed in the market towns of the province's districts and villages. The progress of building the infrastructure was even faster in some economically developed areas.

Market town construction has provided a basis for the development of commodity production and helped many peasants to enter the towns for permanent residence and business venture which has promoted the development of rural enterprises. Since the beginning of this year, more than 1.1 million peasants in the province have entered the towns to develop the tertiary industry, and 310,000 households have established their residence in the towns. There are still 330,000 other households applying to enter towns. These peasants have brought money into the towns to develop rural enterprises and to infuse economic vitality in the construction of small towns. In Chuxian Prefecture, the tertiary industry is now developing in the market towns and playing an active role in circulation. In Huoqiu County, five large agriculture-trade markets have been built in the market town where the retail sales volume have increased by an average amount of 10 million yuan and the village fair transactions increased at an average amount of 15 million yuan each year.

The development of rural construction in Anhui generally takes the following forms: First, town development through industrial development. In Fangchang County, Digang town took advantage of the rich local resources of mineral ores to develop its stone-cutting and construction material trades. This town now runs 31 enterprises, which, in 1984, accumulated out of their profits large construction funds for the expansion of a road 1,000 meters long and 20 meters wide, the building of a new street and a trade center, the opening of 4

markets for minor commodities--rice, firewood, fish, and vegetables--the installation of street lights, the construction of public latrines, and tree-planting. Second, town development through reliance on circulation. In Guangting town of Feixi County, the volume of commodity transactions last year totaled 12 million yuan, a 50 percent increase over the previous year. The people raised 98,000 yuan on their own initiative to construct new streets, transform old streets, open an agriculture-trade market with an area of 4,000 sq m, and built 383 new houses. Third, town development through specialization. The screen nets of Zhangzai village and the sewing products of Gantong market in Lixin County, the nylon ropes of Pitiaosun in Taihe County, and the garlic of Guantang market in Boxian are all specialties which have created specialized towns with fairly great economic advantages. These advantages have greatly promoted the development of rural construction. Fourth, town development through the influx of peasants for residence and business ventures. In Guhe town of Quanjiao County, a new street more than 1,600 meters long has been built and 270 peasant households flocked to this town. These peasants have invested a total of 3 million yuan in starting various trades and in building more than 1,400 houses.

For rational planning and construction, the departments concerned are now providing more active management and guidance so that the use of land can be reduced. The provincial construction bureau has run two town-master training classes attended by nearly 200 persons, while the localities have also run 445 rural planning and rural construction training classes, attended by a total of 23,400 persons. Thus the high quality of rural construction and planning was ensured.

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CONSTRUCTION

ACHIEVEMENTS IN METALLURGICAL CAPITAL CONSTRUCTION REPORTED

Beijing JINGJI RIBAO in Chinese 23 Jan 86 p 2

[Article by Cheng Yuan [4453 6678]: "Remarkable Results in Metallurgical Capital Construction during Sixth 5-year Plan"]

[Text] Firmly adhering to the principle of comprehensive consolidation and active reforms and explorations, the metallurgical construction trade has increased the competence of the prospecting, design and construction work force and raised the standards of management during the Sixth 5-year Plan. Its adaptability has been strengthened, its investment returns increased, and the completion of the state's key capital construction and technical transformation projects assured. In the past 5 years, an investment of 16.53 billion yuan was used on capital construction. The first phase of the Baoshan Iron and Steel Complex with an annual steel output of 3 million tons and 89 other large and medium-size single-item projects were completed and put into operation, and the capacity of iron mining and ore selection were each increased by more than 11 million tons.

After 5 years' efforts, the adaptability of the metallurgical construction enterprises and the prospecting and design units has been strengthened. They are now looking for their own tasks and assuming sole responsibility for their profits and losses. They have not only ensured the completion and smooth operation of the first phase of the Baoshan Iron and Steel Complex project, and the completion of the key projects of technical transformation in metallurgy for the Anshan Iron and Steel Company, the Wuhan Iron and Steel Company, the Chongqing Iron and Steel Company and many steel plants in Tianjin, but also completed at high speed and with good quality a number of key nonmetallurgical projects including the Ningguo Cement Plant and the Huaihai Cement Plant in Anhui, and the coking furnace of Beijing Coking Plant. These projects have earned a fine reputation for the metallurgic construction trade.

In recent years, the metallurgical construction trade has adopted the investment responsibility system and saved a great deal of money. For the first phase of Baoshan Iron and Steel Complex, the state originally invested 4.05 billion yuan, but the project command contracted it out for 3.86 billion yuan and actually saved about 190 million yuan. The outlay for the second phase of the tailing dam for Wokou Iron Mine of the Taiyuan Iron and Steel Company was at first thought to be 10 million yuan higher than the planned figure. By adopting the investment responsibility system, however, it not only kept the investment within bounds, but also saved about 1.9 million yuan.

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CONSTRUCTION

BRIEFS

CONTAINER WHARF COMPLETED--The Zhanghuabin container wharf, one of the state's key projects in the Sixth 5-Year Plan, has been completed and put into operation. At the end of last year, it was formally inspected and accepted by the Ministry of Communications and Shanghai Municipality. This container wharf is the third largest key project after the General Petrochemical Plant and the Baoshan Iron and Steel Complex in Shanghai, and also one of the largest special container wharves in China, capable of accommodating one 10,000-ton and one 25,000-ton second-generation container vessel. It is 424 meters long with an area of 175,000 sq m for roads and storage yards. Its operation is computer-controlled. It uses advanced techniques and a comprehensive loading-unloading system with 170 sets of equipment including 4 gantry cranes and 9 wheel cranes. Its designed traffic capacity is 200,000 international standard containers, and annual profits may exceed 20 million yuan. It is estimated that the investment may be totally recovered in 7 years, beginning 1986. This container wharf has been built with joint investment by the Ministry of Communications and the World Bank. The construction formally began in September 1980, followed by pile driving in July 1981. The project took 5 years and with new techniques and technologies in planning and construction, the work has proceeded much faster, resulting in the reduction of investment. [Text] [Shanghai JIEFANG RIBAO in Chinese 4 Jan 86 p 1] 9411

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FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE MANAGEMENT UNDER OPEN-DOOR POLICY DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 6, 18 Dec 85 pp 12-16

[Article by Xu Xinli [6079 1800 4409]: "Management Should Be Strengthened in Foreign Trade under Open-Door Policy"]

[Text] Foreign Trade Management Must Be Strengthen under Open Door Policy

The open-door policy is the result of a strategic policy decision of revolutionary significance formulated in the 3d Plenary Session of the 11th CPC Central Committee after reviewing both the positive and negative historical experiences over the past 35 years. It corresponds to the historical current, reflects the objective economic law, and indicates the only way to establish and strengthen a typical Chinese socialist economy.

China's open-door policy applies to all countries including capitalist, socialist and developing countries. This shows the comprehensive nature and global scope of this policy. China has established economic relations with more than 170 countries and regions, and made remarkable achievements in foreign trade, in the use of foreign capital, and in importing advanced technology.

Despite its remarkable achievements in developing its economic relations with foreign countries, we still have to be soberly aware that because of our lack of experiences and managerial personnel, and particularly our lack of an effective management system, some problems have cropped up resulting in great losses for the state and the people. In order that the open-door policy can be more effectively implemented, we must strengthen the management of foreign trade with particular attention to the current defects. The reform of the foreign trade system has now entered a new phase. The main features of this reform are the separation between government administration and enterprise management, the simplification of administration and the delegation of authorities to the lower levels, a unified leadership, and centralized management by special departments over the economic and foreign departments, thus doing away with the phenomenon of each unit acting on its own and arousing enthusiasm in all quarters. However, with the opening of the country to the outside world, the delegation of authorities to the lower levels, the increase in the number for foreign trade enterprises having more

decisionmaking power, and the overlapping commodity transactions, there are bound to be many new contradictions. Therefore, along with the implementation of the open-door policy, we should use both administrative and economic means to strengthen the management of foreign trade.

Stressing the importance of management does not mean setting up checkpoints at all levels and even less the repossession of the authority already delegated to the lower levels so that all authority can be concentrated in the central government once again, meaning a return to the old practice of rigid control. On the contrary, we should study the new developments, solve the new problems, improve the management in the process of opening the doors, and set up a new management system that is commensurate with the new situation of structural reform under the open-door policy. In making macroeconomic decisions, we should gradually increase the guiding plans and reduce the mandatory plans (which should not be more than 1 percent). According to the export plan of the Ministry of Foreign Economic Relations and Trade, 1,200 commodities of the major categories formerly subject to mandatory plans have been reduced to 100, while the remaining 1,100 commodities are now subject to guiding plans. There should be unity and flexibility in the planned foreign trade structure. The so-called unity means that in macroeconomics, the state should exercise its unified control so as to ensure proper proportionate relationships between imports and exports and between the receipts and payments in foreign exchange. On the whole, therefore, a national foreign trade plan can only be based on a rough estimation and is flexible, so that, after comprehensive balancing and the use of economic means, the expected goal can generally be reached. The so-called flexibility means flexibility in microeconomic activities and the use of economic levers and the market mechanism. The trade forms can be many and varied. Based on the actual conditions of different departments or enterprises, the foreign trade departments can freely and according to their own plans join the production and scientific research units to form industry-foreign trade integration, technology-foreign trade integration, or agriculture-foreign trade integration in striving for optimal economic results. In either macroeconomics or microeconomics, they must willing abide by and apply the law of value, the basic law governing the production and exchange of commodities. Foreign trade, in particular, is governed by the international law of value and the international commercial law. Therefore, we must study more about the international market, pay greater attention to the forecast, and familiarize ourselves with the international commercial laws before we can bring into play the function of foreign trade management more effectively.

To strengthen our foreign trade management, we must change the former practice of ignoring the international environment, and the pattern of "mainly domestic-oriented" management which was exclusively concerned with the domestic market. This change will help us absorb more foreign funds, bring in more foreign technology and expand our exports. In the past, China's policy was mainly of a "domestic-oriented" type advocating the "substitution of imports." This protectionist policy of management, intended for the preservation and development of the national industry, was perfectly correct according to our national conditions at that time. Because China had abundant natural resources and a market capacity of 1 billion people, its economic construction should start with a change in the semicolonial structure and the

establishment of its own independent economic structures in order to eliminate the effects and impact from the capitalist economy. Furthermore, the international environment at that time did not permit us to enforce our open-door policy in a big way. Now, the open-door policy has been established as China's long-term basic national policy, and hereafter, the more developed our economy, the more extensive will be our economic relations with foreign countries. Therefore, the management system for our economic and trade relations with foreign countries must be studied, set up, and developed in combination with our international relations.

Strengthening Foreign Trade Management in Several Aspects

I. Strengthening the Management over Policy Implementation, Pricing and Customer Relations in Export Trade

Exports are the foundation of China's foreign trade, because we must organize a portion of our industrial and agricultural products for export before we can earn most of the foreign exchange we need. Unless its foreign exchange earning capacity is greatly increased, China cannot make much headway in the utilization of foreign funds or the importation of technology. Therefore, the increase in exports is a way to guarantee the prolonged effects of China's open-door policy and the promotion of its domestic economic development. On the whole, however, China's export trade is still insignificant, being only slightly higher than 1 percent of the total world export volume. This is highly inconsistent with a large country of 1-billion population. Thus its long-term strategic task is to increase its exports in order to earn more foreign exchange.

To increase the capacity of foreign-exchange earning through exports, we must first improve our foreign trade management, and particularly our management over the implementation of the foreign trade policy. Besides the reduction and exemption of industrial and commercial taxes for certain export commodities, the grant of credit for exports, the sharing of foreign exchange earnings and other policies for encouraging exports, we should also adopt some new foreign trade policies and measures to provide greater incentive. The coastal cities should further increase their exports according to the policy of "supporting exports with imports" (which accounts for 54 percent of Shanghai's export trade and should further increase in future.) Efforts should be made in running export commodity bases and special export plants. For example, the Shanghai No 17 Bleaching and Dyeing Plant and some special export plants in Shanghai have earned a great deal of foreign exchange and made great contributions to the state. However, the benefits for the enterprises and workers are usually less than those of their counterparts producing for home consumption. Before the state undertakes any important reform in the foreign trade structure, the central or local authorities should readjust certain irrational policies and measures. To further promote the export of perishable goods, the "straight in, straight out" method introduced by the central authorities for the areas in the vicinity of international markets (such as Baoan County and Zhuhai County in Guangdong) is entirely correct and feasible, since supply over short distances is less expensive and causes less damage. In addition, it is more effective in preserving the fresh and live cargoes and earning foreign exchange, the supply is flexible and

readily available, and the prices can be easily readjusted according to local conditions. For those products that are capable of earning foreign exchange and yet bring "false losses" because of pricing, taxation and other factors, more lenient measures should be taken in the way of tax reduction and exemption, increasing their profits by reducing others', granting subsidies, and so forth, to promote their export. Whenever conflicts arise between foreign and domestic sales, the "five priorities"--namely, priorities in the assigment of tasks, procurement, transportation, and the supplies of raw materials, fuel, motive power, and packaging materials--should go to the export commodities. Since this principle concerns production, supply, transportation, energy, finance, banking, and many other departments, and these departments are interrelated and mutually restrictive, it is all the more necessary for us to improve the management so that all the departments will be better coordinated and an overall balancing can be accomplished.

To solve the problems of procurement at jacked-up prices, competition at cut selling prices, and the scramble for market, great importance should be attached to management over pricing in exports and over customer relations. Export trade is mainly subject to guiding plans. When material resources are not quite abundant in the country, procurement at jacked-up prices would produce an "upward pull" to raise the commodity prices at home. Furthermore, if the procurement prices are too high, the competitive power of our export commodities would be affected. In dealing with procurement prices, therefore, the administration of prices authorities should control the increase within certain limits--even though such control may not be easy because of the effects of the law of supply and demand--in order to avoid their impact on the domestic market and on the procurement plan. Export prices should be even more strictly controlled according to the principle of unified policy, unified planning, and unified action toward foreigners, control by relevant departments at different levels, and support through a unified price disparity. The general requirement under the principle of pricing for export commodities is to combat arbitrary increase or decrease in prices. Suitable prices should be set according to the price level of the international market and based on the principle of equality and mutual interests and other factors, such as the policies of other countries and regions affecting our sales, the conditions of transactions, changes in the monetary value, and transportation, in an effort to obtain the best possible economic results. Even for exports to other countries where import quotas are in force, the commodities must be fully supplied. For the commodities of various ports, companies or enterprises carrying out overlapping transactions, or the commodities which are facing fierce competition on the international market, we must first strengthen the management over the issuance of export permits and then set the minimum export prices after bringing about harmony among the parties concerned. By this means, we will be able to "prevent benefits from going to outsiders." There must be a system of division of work and a system of export price control within the enterprises. All personnel responsible for foreign sales, market information, and pricing must thoroughly study and understand the export prices, while the departments in charge at the higher levels should strengthen their management and supervision.

The effective management of customer relations is also a key to export expansion. The goodwill of old customers in various ports has been built up

through years of economic and trade contacts. There should be mutual benefits for our customers and ourselves, each benefiting from the strong points of the other. However, the improper methods now used in winning over customers from others have impaired the customers' legitimate interests and disrupted the original channels of marketing with the result that the links of our marketing abroad get out of control. These problems should deserve our careful attention. Shanghai has 28,000 customers; however it also has three major problems:

1. A high turnover rate. According to the statistics of 1981, Shanghai had business transactions with 18,000 customers, of whom, 14,421 were regular ones. It had 6,111 new customers in 1981, but did not have any business with 4,966 others, whose names were on its customer list of the previous year. The turnover rate was 76.81 percent, equivalent to 11,077 customers.

2. The large number of medium and small customers. An analysis of the actual business volume in 1981 showed the following figures: 40 customers with transactions exceeding $10 million; 83 customers with transactions exceeding $5 million; 95 customers with transactions exceeding $3 million; 533 customers with transactions exceeding $1 million; 2,567 customers with transactions exceeding $100,000; and 10,528 customers, 72 percent of the total number with transactions below $100,000.

3. Few commission agents, sole agents and consignees. Of more than 100 countries and regions we serve in foreign trade, only 58 have agency relations with China in the form of commission agents, sole agents or consignees, and most of them are concentrated in Hong Kong and Macao. In 1982, the commission agents and sole agents of 21 provinces and municipalities totaled 4,421, including 1,669 (38 percent) in Hong Kong and Macao; 800 (18 percent) in the ASEAN countries; 360 (8 percent) in Western European Common Market; 212 (4.7 percent) in the 6 gulf countries; 154 (3.5 percent) in Japan; and only 9 (2.2 percent) in the United States. Only 136 of them had transactions exceeding $5 million.

These problems show the need for us to expand the channels of international marketing, and particularly the channels to the United States and Japan. Japan's sales volume of "Nitaku" ping-pong balls was 30 times that of China's "Hongshuangxi." Since "Hongshuangxi's" quality is superior to that of "Nitaku," and China is better than Japan in this game, how can China's sales of these balls be behind those of Japan? The main reason is that Japan has a huge customer network in Sweden and other places. Now, China should pay particular attention to the development of sales agents. China is short of funds and talents, and there will be certain difficulty for it to organize its sales network abroad. Furthermore, its productive forces and such infrastructural facilities as communications and transportation cannot entirely meet the customers' requirements for small batches, diversified designs, high quality and on-time delivery. Since the volume of our export commodities is mostly small, it would not be economical for China to adopt the method of direct overseas sales at high costs.

For the healthy development of the channels of our foreign marketing, we must make better use and strengthened the management of our customer relations,

particularly in dealing with the customers of the enterprises of one or more ports carrying out overlapping transactions. These enterprises should maintain their close relationships and exchange information among themselves in order that there can be centralized management and concerted action toward foreigners. Generally, staple export commodities should be handled by specialized [foreign] traders; new commodities or minor commodities should be handled by the importers or agents in "blazing the trail"; and as for the commodities in great demand, the sundry goods, and the consumer goods for daily use, it would be best for us to do business with the large department stores or supermarkets. These traders have large amounts of capital, strong sales forces, quick turnover, and large capacity for imports. Furthermore, they can import without intermediate assistance and need not pay commissions. If necessary, we can offer some discount to arouse their enthusiasm in dealing in our exports.

II. Strengthen the Quality Control of Commodities, Develop through Competition

In expanding our export trade, we must pay great attention to a number of competitive products and update our commodity mix. In other words, our export commodities must have greater extra value. If we can raise our export textiles to match Hong Kong's standards, our foreign exchange earnings can be doubled even though the volume of exports is not increased. The capitalist countries have set up various types of tariff walls, but they only restrict the quantity, and not the quality. If our export commodities are to have a firm foothold on the international market, they have to win through better quality and novelty. In 1982, Shanghai lost $1.8 million in foreign trade, and 94 percent of this loss was attributed to the failure to meet the specifications in terms of quality. We must not take this matter lightly. In Japan, the comprehensive companies and large enterprises all treat quality as a matter of prime importance. They believe that "quality is the passport to the whole world," and that "quality and variety are the basic conditions of a factory's survival." They accordingly have a strict control system for their raw materials, semifinished products, and finished products leaving the factory. To solve the problem of quality for the export commodities, we must first carefully investigate through various channels the quality and technical standards for the same products on the international market, and, second, transform the old enterprises in order to raise their technical standards in production. In 1985, for example, 460 new varieties and new designs of worsted and woolen fabrics were in regular production by the woolen and linen trades in Shanghai, in addition to more than 1,800 new-style woolen sweaters already on the market. All these were the result of importing technical equipment, transforming the old enterprises and making use of the original equipment. For many years, the Zhanghua Woolen Textile Mill of Shanghai had adopted the quality standards set by the International Wool Bureau and tried hard to do even better. After some efforts, it finally succeeded. In the textile trade, the quality of 95 products of 29 mills has been recognized by the International Wool Bureau as being up to the international standards. These products are now allowed to carry the pure-wool mark which is recognized throughout the world. This should be a big help to the expansion of China's export.

Victory through quality and victory through novelty are mutually complementary, and all export enterprises should attach great importance to the research and development of new products. Now that the service life of products is becoming shorter and shorter, it is all the more necessary for us to update our products constantly in order to improve the quality and increase the varieties with an element of novelty for the products. The foreign trade enterprises, the commodity inspection bureau, the customs, and the departments concerned should conduct their check-up meticulously so that no substandard products can ever get out of the country.

In our marketing strategy and business style for exports, we should have the courage to join in the competition, and be flexible and resolute in adapting ourselves to market changes, so that no favorable opportunities can be lost. The export commodities, the export regions, and the trade conditions should be carefully arranged and analyzed, while short- and medium-range plans should be worked out so as to determine the main direction for us to exert our efforts. China does not have many competitive products, and its commodities are of numerous mixed varieties. Under such conditions, while paying attention to the major markets, we must not neglect the other markets. In our marketing strategy, we must dare to compete. A country which cannot face competition will lose its vitality, and an enterprise which cannot face competition may not survive, because whatever advantage it formerly enjoyed will be lost, until it is finally eliminated in the competition. If, on the contrary, we dare to compete, we may obtain whatever we do not have now and may overcome many difficulties. Just because of its courage in competition, China's shipbuilding industry has built 442,000 tons of ships and set new records in the quality of products and in the volume of exports. Its products have entered more than 40 foreign markets.

Competition is very important in many respects other than price, such as post-sales service, maintenance, prompt delivery according to the specified quality and quantity, and flexibility in the forms of trading and the forms of account settlement. As for business style, we must change the former practice of waiting for customers to call at the door and the former "production first" style in organizing large-scale production for export on the basis of several contracts. Nowadays, the business system is developing from what is large and centralized to what is small and widespread. Because the products are becoming increasingly "light," "thin," "short" and "small," the customer also wants the products to be of more varieties, high grades, and novel designs. That is why we should watch the market attentively and form the "customer first" business style. If conditions permit, we can set up multinational companies abroad. By this means, we can to a certain extent by-pass the tariff or nontariff walls, or take advantage of certain preferential conditions to expand our exports. We can also carry out on-the-spot processing and production to meet the consumers' needs.

To expand the export of fine-quality products and to increase their power of international competition, some supportive policy should be specially formulated for exports. For example, the depreciation of the equipment imported to expand the export of new or fine-quality products can be accelerated. (Japan adopted the depreciation acceleration system way back in 1952 when the machinery used for export products had to depreciate 50 percent

in the first year and 100 percent in 3 years. A similar system was also adopted in the United States.) Fairly strong material and moral incentives were also given to those enterprises and individuals making important contributions to exports.

III. Strengthen Quality Control of Imported Commodities and Management of Technology Importation

While expanding our exports, we should also attach great importance to our imports. The failure on our part to bring into full play the role of our import trade in the past was in fact a great loss. Bringing into play the role of import trade, however, does not mean leaving our doors wide open for all foreign products. What we lacked was mainly the materials and commodities which were in short supply at home in addition to some advanced technologies and equipment, and the main purpose of importing was to promote the technical transformation of enterprises or to set up some new industries so as to raise the labor productivity and to fill some gaps in the country. Therefore, we must strengthen the control over the approval of import licenses, the quality control of imported commodities, and the control over imported technology. Some commodities recently imported are inferior in quality and short in quantity, and this situation is becoming fairly serious. In 1984, the state's commodity inspection department discovered that 11,165 of the 76,117 batches, 15 percent, did not fit the specifications. In the first quarter of 1985, again 4,683 of the 40,387 batches, 12 percent, did not fit the specifications. Capitalists are only interested in profits, and the tricks they use are numerous. We must check our imported goods very carefully, and, if necessary, seek compensation. Nobody can ever be generous with state property, and any enterprise failing to meet this requirement must be reorganized or eliminated.

An urgent need of the moment is to import advanced technologies for the technical transformation of old enterprises. According to statistics, about 40 percent of the enterprises under the light industry bureau of Shanghai were created before the 1940's, and more than 75 percent of the equipment in the machine tool industry of Chongqing was produced before the 1950's. Because of their backward technology, equipment and techniques, many trades have found it difficult to upgrade their products. In the 36 years since the founding of the People's Republic, more than 1,900 technologies and complete sets of equipment were imported at the cost of $22 billion in foreign exchange. From 1979 to September 1984, 817 items of technologies and key equipment were imported at a cost of $6.2 billion. These imports have produced remarkable effects on the promotion of economic development, but the present problem is that duplicate imports have produced unfavorable results. Since 1984, for example, the state has imported a total of 81 color-TV assembly lines and the productive capacity reached 12.08 million sets a year. However, the productive capacity for the components and accessories was inadequate, and many enterprises operating under capacity were compelled to import them in order to keep up their production. At the same time, since the assembly lines came from many different countries,the specifications of the components were not the same, thus creating difficulties for domestic production of color TV's.

In importing technologies, we must be sure to import those of key importance, or the advanced technologies that are economical and adaptable so that we can improve the quality and increase the varieties of products, lower the production cost, and raise the standards of productive technology and business management. To avoid duplicate imports, a national authoritative agency should be formed to take overall charge of importing technology, to strike an overall balance, and to stress economic results. In importing any item, the department in charge must exchange information with the relevant departments on all matters including technical exchange, inspections abroad, feasibility studies, and negotiations over transactions, and strengthen the vertical as well as horizontal ties. They must be united in dealing with outsiders instead of scattering their forces and giving outsiders the opportunity to take unfair advantage. In December 1984, 7 Chinese glass plants, led by the Ministry of Light Industry, combined to conduct negotiations on imports and thus saved $1.3 million. On the whole, the present scope of importing technology is too wide and overall planning is lacking. In the future, we must strengthen our planned management, and do away with the phenomenon of each going its own way in dealing with foreigners. The imports at all levels from the central down to the local governments must be streamlined in order that our limited foreign exchange may be used to the best advantage.

IV. Strengthen Management over Economic Contacts between SEZs and Hinterland

While economic contacts between the SEZs and the hinterland are becoming increasingly frequent, some unhealthy trends have also appeared. According to a relevant law, "some of the products of joint ventures belonging to the categories which are urgently needed in China, and which China wants to import, may be sold mainly on China's domestic market." China's concession with part of its home market as a remedy for the scarcity of certain products is both correct and necessary. However, the management must be strengthened. Most developing countries have strict rules to restrict the entry of SEZ (or exports processing areas) products into their domestic market, and these products must be taxed according to regulations. Spare parts and accessories brought into the SEZ may be tax-free. However, if the finished products are sold on the domestic market instead of foreign markets, the spare parts and accessories included in the finished products must still be taxed in the same way imported spare parts and accessories for domestically produced products are taxed according to the principle of encouraging exports and restricting imports. At present, however, many commodities have entered the domestic market without approval or paying taxes, because some people are trying to make illegal gains. In some places, the practice of black-market dealings in foreign exchange or goods in great demand is quite serious and causing a serious impact on the market and the state plans. Since SEZs are an innovation, some defects in them should be no cause for alarm. However, we must never condone the people or their deeds which jeopardize the state's interests and disrupt the open-door policy. We must strengthen our management so that the SEZ's economy may become truly foreign-oriented and the SEZs themselves may play a more effective role as the "window" for the use of foreign funds and the import of technology. Then the economic relations between the SEZs and the hinterland will be shifted into a benign cycle.

Any type of management must be systematized. However this systematization must be backed by sound and effective economic law. It is true that we have already promulgated "The Law of the People's Republic of China on Chinese-Foreign Joint Ventures" and other related statutes, but such laws and statutes as governing business operations with exclusive foreign capital, corporation law, bankruptcy law and so forth have not been publicized to meet the needs of a continued development of an open-door economy. Therefore, we must carefully note the major problems in our economic work involving foreign countries, set up some management rules and regulations, continue to supplement and revise them in the course of practice, gradually perfect them and finally make them into law, in order to open a new prospect in the management of economic and trade relations with foreign countries.

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FOREIGN TRADE AND INVESTMENT

SUPERIORITY OF ENTERPRISES COMBINING FOREIGN TRADE NOTED

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[Article by Wang Kaike [3769 7030 4430]: "The Necessity and Superiority of Joint Management of Foreign Trade by Industrial Enterprises and Trade Enterprises"]

[Excerpts] Carrying out the combination of industrial production and technology with foreign trade is an important principle in the dedevlopment of China's foreign trade and the speeding up of China's technological advancement. The through implementation of this principle has extremely important and real significance for speeding up the development of China's foreign trade and advancing the four modernizations. This article discusses the necessity and the superiority of industrial and trade enterprises jointly managing foreign trade, as well as some current problems that should be pointed out.

I

This so-called combination of industry with trade is actually the combination of industrial enterprises with foreign trade enterprises. The direct combination of industrial enterprises and foreign trade enterprises, and the appearance of jointly-managed foreign trade corporations is definitely not coincidental; it is the essential product of domestic economic and foreign trade development.

In the past, foreign trade departments alone handled foreign trade. Industry and trade were separated, and production and marketing were disjointed. Industrial enterprises were not able to participate in the management of foreign trade. They lacked an understanding of the conditions and demands of the international market, and they simply relied on the foreign trade corporations to place orders for various kinds of goods while they produced blindly. Foreign trade departments did not understand the techniques, technology or management of production. Thus it was difficult for them to procure products according to superior principles and to plan overall distribution and ordering in an economically rational manner. It was also difficult for them to appropriately and in a timely manner manage the intricate and ever-changing relationship between production and international market demand. For the full scope of production, where circulation channels are

numerous, production takes a long period of time, and communications are complex, there was no way to develop exports in an overall planned manner. Industry and trade each had its own responsibilities. Industrial enterprises only organized production and provided taxes and profits to the state; they did not take responsibility for marketing and overstocking of foreign trade. Some products were marketable on the international market, and their rate of earning foreign exchange was also relatively high, but for production enterprises whose quality requirements were high or production quotas relatively small, or whose product varieties were abundant but suffered from frequent changes in the market, the enterprises were unwilling to produce, and the supply of goods for export was insufficient. Foreign trade departments merely organized exports and collected foreign exchange; they did not accept responsbility for the quality of management of industrial enterprises or for difficulties encountered in production. Imports often were bought for the sake of buying, and foreign trade departments were unable to feel the anxieties felt by the production enterprises. Information concerning industrial production costs and foreign trade export prices and foreign exchange rates was often closely guarded or even kept secret. If this had continued, not only would the development of foreign trade be hampered but it would also be very disadvantageous to both production and construction.

In order to guarantee a stable supply of goods for export, in 1960 the foreign trade departments gradually extablished export commodity production bases at specialized plants and workshops in the provinces, municipalities and autonomous regions. This can be considered to have been the initial attempt to combine industry (and agriculture) with foreign trade, and an attempt to resolve the contradictions produced because industrial production and trade were separated. The establishement and development of these production bases and specialized factories played a definite role in the development of export commodity production, raising product quality, increasing the marketability of products, increasing the competitiveness of China's commodities in the international market and so on, and provided a material base for advancing the development of foreign trade. However, there still existed in these production enterprises shortcomings, such as a lack of separation between government and enterprises, disjointed production and marketing, and a separation of exports and the interests of production enterprises. Thus, after the goods and materials of foreign trade that fostered production were distributed to the local areas and departments, they were often used by the localities and departments themselves--so that the production enterprise for whom they were intended did not received essential goods and materials. They continued to suffer difficulties in production, and could not develop well. In export commodity production there still existed a great deal of blindness in production; some best-selling export products whose production was fostered were often sold on the domestic market, so that foreign trade still did not obtain a sufficient supply of goods.

After the 3d Plenum of the 11th Central Committee, in order to meet the needs of the policies of opening up to the outside world and enlivening the domestic economy, the entire country enthusiastically investigated the paths of integrating industry and trade, and technology and trade, and direct links between production and marketing. A few large-scale backbone factories and

enterprises managed their own foreign trade business, and went on to establish a group of import-export corporations and jointly managed corporations that integrated industry and trade, and technology and trade. This produced definite results with respect to arousing the enthusiasm of industrial departments toward developing foreign trade, increasing import-export channels, enlivening management methods, and so on. However, for most of these pilot projects and exploratory projects, management authority circulated only within the administrative departments, and did not really touch upon the crucial point of giving autonomy to the foreign trade and production enterprises. Enterprises were still subjected to administrative interferences, and were not really able to emphasize the effective management of foreign trade. Thus the initiative of these enterprises was not fully aroused. Although there was urgent demand among industry and trade enterprises at the grassroots level to integrate industry with trade, they were often interfered with by departments and local authoritiesm and so their desires could not be realized. Some of the pilot projects to combine industrial production and trade also fell into this pattern, and their superior qualities were not mobilized. Aside from a minority of pilot projects with favorable results, overall, problems involving improving product quality, lack of coordination between production and sales, increasing product varietym and superior product substitution, have not yet been resolved. In fact, a few of the contradictions between industry and trade are even sharper now than they were in the past.

II

The foreign trade corporations managed jointly by industrial and trade enterprises (simply called corporations below) are jointly invested in by industrial and foreign trade enterprises. Both sides send personnel, and they organize, build and manage the corporations together. The corporation generally participates in the management of the production enterprises. Its responsibility is to act on behalf of the production enterprise in managing all of its export-import business and its business of foreign economic and technological cooperation. And it participates in bringing in technology, equipment, components, and raw materials needed by the enterprise for the development of production. It developes joint production, joint ventures, technical cooperation, technical service, compensation trade, materials processing, and component assembly. Aside from products whose marketing comes under unified state regulation, it also manages the export business of the production enterprises's products, sideline products, and intermediate products. Under appropriate conditions, it could also take on the business of acting as an agent for other units. The corporation set up a board of directors, made up of persons from both the industry and trade enterprises, which debates all of the major problems facing the corporation, including formulating and revising the corporation's way of doing things, engaging and appointing managers and deputy managers, and choosing among the corporation's different options for business management, distribution of profits, financial accounting, reserve fund accumulation and so on. The corporation carries out independent accounting, and is responsible for its own profits and losses. The industrial enterprise and trade enterprise take joint responsibility for profits and losses and for risks.

Once the foreign trade corporation is formed through the direct combination of the industrial enterprise and the trade enterprise with joint management,

it will then be clear that it possesses other special characteristics and superiorities not possessed by the other kinds of foreign trade corporations. It already has inherited some of the primary points of excellence of other foreign trade corporations, and cast aside their deficiencies. Experience has indicated that they are a new living object in the course of the reform of the foreign trade system, and their superiorities are manifested primarily in the following areas:

First, the organic combination of the interests of both the industrial and trade enterprises, and the subsequent mobilization of the initiative of both sides in working together to develop foreign trade. Because the foreign trade corporation that is managed jointly by the industry and trade enterprises organically combines the interests of both sides, both industrial and trade enterprises can voluntarily assist one another, and can mutually advance. Together they can be concerned about the corporation's management situation, especially its profit-and-loss situation. Thus, the initiative of both industry and trade to work together to develop foreign trade can be mobilized. This is primarily manifested in both sides reducing the cost of exporting, raising their rate of earning foreign exchange, obtaining even more foreign exchange, making greater profits, developing production, expanding foreign trade, and striving to work together. For example, some chemical industry export products had been losing money for a long time, but after coming under this jointly-managed foreign trade corporation formed by industrial and trade enterprises, because of the mutual effort put forth by both sides, before half a year had passed the cost of exporting had decreased by more than 16 percent and the corporation in one step began to turn a sizable profit.

Secondly, full play was given to the superiorities of both industry and trade, and management capabilities and economic results were improved. Internally, the corporation let democracy flourish, and all major business problems were discussed by the board of directors, which was made up of persons from both trade and industry. The problems became the responsibility of the relevant office and were not backed upward to higher levels, which served to reduce the number of management levels and commodity circulation links involved, reduce waste, and improve economic results. Internally, the corporations overcame the shortcomings of running enterprises administratively and not separating administration from business, and enlivened the enterprises. In concrete business activity, industrial personnel stressed planning production and negotiating technical matters with foreigners, while the foreign trade personnel put their emphasis on business transactions. Both sides took the long view, and mobilized the superiorities of each speciality and experience, and strengthened management abilities and international competitiveness. The corporations were generally established in production enterprises, which also negotiated import-export trade directly with foreigners. The direct link between production and marketing enabled them to better understand international market conditions in a timely manner, and also to better grasp production behavior in a timely manner. They were, thereby, able to adjust production to marketability, and supply to demand in a timely manner in accordance with international market conditions and the conditions of the enterprise's production. This strengthened the marketability of export products on the international market and the level of advancement and suitability of imported

products, and improved economic results. Foreign businesspersons viewed foreign trade corporations that combined industrial production with trade as having foreign trade personnel participating as import-export managers, and were very happy with this and very willing to do business with them. At the same time, the foreign trade corporation that participated in the joint management of industrial production and trade originally only had one group of customers, but because of this they soon became an import-export procurement and distribution network. Some corporations had just been set up when they began to become weel known to foreign businesspersons, while for some corporations it was the first time they had sent people to participate in the Guangzhou Trade Fair. But the volume of business they did in the course of the trade fair was even greater than that done by some industrial departments that sent groups numbering in the hundreds.

Third, the corporations strove to promote the technical transformation and development of production in relevant factories. In general, the foreign trade corporations managed jointly by industrial and trade enterprises can all establish a principle of production making it clear that only if "trade" enthusiastically cooperates with "industry" can there be development, and therefore once a corporation is established it makes service to the industrial enterprise its own purpose. Many cadres doing business in the corporations were originally engineering and technical personnel in the factories. When in the course of business negotiations with foreigners, they heard news that another country had advanced technologies of one kind or another, they would immediately pass that news on to the factory. Quite a few of the technical transformation items imported by factories in the past few years were suggested after the factory had heard news about them from the corporation. And when the corporation took responsibility for the business of importing, it could then undertake the "four cooperations": (1) cooperation with the consumer to do a good job in the preparation work during the period preceding the import of an item; (2) cooperation with consumers in carrying out feasibility studies; (3) cooperation with the consumer in providing the relevant technical and business materials to foreign businesspersons for their analysis, and when necessary also invite foreign businesspersons to carry out technical exchanges; and (4) cooperation with consumers in drafting contract appendices with respect to technology, and enable the customer to have an understanding of the current level of technology and prices on the world market in relation to their own project. By becoming fairly well informed, they could create a base for discussion with foreigners. At the same time, during technical and business discussions, they also strive to work toward "four clear ideas:" a clear idea of technical guarantees, a clear idea of the realm of supply of the vendor, a clear idea of design and technology conditions, and a clear idea of the technical service provided by the vendor. They also closely coordinated technical and business discussion when the two were dealt with separately, and invited relevant personnel from the factories to participate in business negotiations with foreign businesspersons. Because the corporations gave so much consideration to the factories' requirements for technical transformation, and put themselves in the shoes of the customer, for the past few years they have imported some relatively advanced technology and key equipment items for the corporations, have resolved some difficult problems, and have done a great deal to promote the technical transformation and production development of the factories.

Fourth, they speeded up the development of import-export trade. In the past, once the production plan for export commodities was handed down it was very difficult to change. It was even more difficult to increase the procurement of commodities outside the plan that were in great demand. Now it is possible to adjust production and distribution in a timely manner to accord with and match current conditions and to accord with supply and demand on the international market. It is also possible to increase the production of salable commodities, to speed up increases in product volume, to improve packaging, to increase product variety and to increase the production and trial distribution of new products, thereby facilitating the relatively abundant supply of products for exports, especially the supply of marketable products. Under close coordination by the foreign trade corporations, they also made speedy breakthroughs in the marketability of a number of products, opened new markets, revived and expanded old markets, and facilitated the renewed development of export trade. The development of exports provides foreign exchange for imports, and thus advances our importing. With respect to importing, because there is a greater understanding of our production situation than there was in the past, we can closely integrate our knowledge with actual working conditions. For example, we used substitute products instead of imports, only imported key equipment that could resolve existing problems, and did not import complete sets of equipment. We could bring in technology to make things ourselves, and not spend everyone else's money procuring equipment. If we had to import complete sets of equipment, then because of the close cooperation between industry and trade, we could choose appropriate equipment, find relatively low prices, procure useful products of good quality, and conserve foreign exchange. The quality of work and economic results improved; the import of technology and equipment was advanced; the development of production was promoted; and thus an even greater supply of products to expand exports was provided. Exports promoted imports; imports brought more exports, foreign trade was enlivened even more, and the volume of trade increased rapidly. The volume of import-export trade for some corporations in 1984 was more than double what it has been in 1983.

Fifth, the foreign trade corporations jointly managed by industrial and trade enterprises also strongly promoted the training of cadres. In the corporation, personnel from both industry and trade in the head offices and in the branches, researched market conditions, determined sources of supply, and formulated management plans together. They also jointly negotiated with foreign businesspersons. Foreign trade personnel passed on their knowledge of foreign trade to industry personnel, and industry personnel passed on their knowledge of production techniques to the foreign trade personnel. The two sides learned from one another, turned old into new together, and improved together. Through this business activity of the past few years, foreign trade personnel have learned a great deal about commodity production and technology, and a new team of foreign trade cadres who understand industry and who understand trade is now beginning to appear in these enterprises. The formation and development of this group of cadre teams has concrete significance for improving the quality of foreign trade cadres and for creating a new situation in our work on foreign trade.

Because of the many superiorities of the foreign trade corporations jointly managed by industrial and trade enterprises, although in the past few years we have encountered a number of difficulties and obstacles, they have still progressed steadily, and have played an important role in the development of production, construction and foreign trade of relevant enterprises.

III

The foreign trade corporations jointly managed by industrial and trade enterprises are currently still in the stage of continued development and improvement. They must uphold the principles of self-reliance and mutual benefit, seek truth from facts, and resolve existing problems in a timely manner. Only then will they benefit the corporation's further development and improvement. In order to advance the healthy development of the corporation, they should first increase their knowledge of themselves, and overcome obstacles in their own thinking along the road ahead. There are some cadres who believe that industry and trade are two departments, and are two kinds of business, and each should act on its own and take responsibility for itself. Foreign trade departments should not involve themselves directly in production, and production enterprises should not involve themselves directly in the management of foreign trade. These cadres have not realized that China is a large agricultural nation. Our industrial base is weak and our technological level is low; the quality of some products is inferior, and packaging is backward; product manufacturing is simplistic, and there are still many difficulties in transportation. Only if industry and trade are integrated, particularly industrial production and trade enterprises, will the benefits of industry and trade really be integrated, and will we be able to mobilize the enthusiasm of both sides, give full play to the superiorities of both sides, speed up the development of production and foreign trade, and rapidly change our backward situation. If we do not proceed along the path of combining industry and trade, and technology and trade, some products will lose their ability to compete on the international market, and in the end will falter on the world market. That would have a negative impact on the development of foreign trade and production, and we would lose an important means of importing technology and speedily upgrading enterprises.

Some cadres understand the integration of industry and trade to be that "industrial departments not only handle production but also foreign trade." Thus they cast aside the idea of foreign trade corporations, and manage foreign trade themselves in their own factories. Because these few cadres are not familiar with the practice of foreign trade, do not understand the specialized language of foreign trade, lack actual experience in foreign economic relations and trade, and do not have sufficient understanding of international market conditions, currency fluctuations and financial situations, their blindness is relatively great, their economic results are low, and their strengths are turned into shortcomings. A few cadres have acquired the deep realization through practice that the integration of production enterprises and trading enterprises in the management of foreign trade is definitely possible. Thus there are cadres already working in the business of foreign trade gaining foreign trade knowledge and practidal experience, and some with customers and agent relationships which can all be utilized immediately.

However, some cadres still do not understand this point. Therefore, we need to make a great effort to propagandize the necessity and superiority of having trade enterprises and industrial enterprises jointly manage foreign trade. By increasing understanding, we can promote this work.

At present, in the course of carrying out the integration of industrial and trade enterprises jointly managing foreign trade, we should pay particular attention to preventing inappropriate administrative interference in enterprises. The integration of industrial and trade enterprises to jointly handle foreign trade has already proven to be effective. But in the past few years its development has been slow. The main reason for this, aside from the problems with our level of understanding as mentioned above, is that the enterprises have encountered interference from the administrative departments, and cannot fully select their own agenda or fully integrate. Although there is urgent demand among a number of trade and industrial enterprises at the grassroots level to integrate industrial production with foreign trade, their desires cannot be fully realized because they encounter administrative interference. After the decision of the central authorities with respect to the reform of the economic system was publicized, administrative interference was alleviated somewhat, and more and more measures were taken by trade and industrial enterprises to jointly manage foreign trade. However, administrative interference still exists in some areas, and in certain areas it is quite severe. For example, recently some industrial and trade enterprises have requested permission to integrate, and have established joint corporations to manage the import-export business and the business of foreign technological cooperation of the industrial enterprise. The agreement to establish the corporation, the development of the corporation's agenda, and the establishment of its management methods had all been accomplished, but everything fell apart because of administrative interference by higher level administrative units. In order to prevent grassroots enterprises and trade enterprises from joining together, some leading industrial units hurriedly established representative offices in industrial enterprises and factories, and interfered in the management of the factories. They still want to retain the single corporation that takes care of everything from production to supply to marketing, from human to financial to material resources, and from domestic to foreign trade, and hope that through this single corporation they can control enterprises at the grassroots throughout the country. It is very clear that this method is not in line with the spirit of the central authorities' economic system reform, which centers on increasing enterprise activity. The foreign trade system's realization of separating administration from the enterprise means not only the separation of the responsibilities of the economic and trade departments, but also that the import-export companies of other departments and areas must also gradually be separated from their original departments, and never return to that subordinate relationship. Administrative departments at all levels should not interfere directly in the daily business of the foreign trade enterprises. Based on the premise of being subordinate to state planning and management, enterprises should have the right to select flexible and varied forms of management. The responsibility of administrative organizations should be to effectively advance cooperation, joint activities and competition between enterprises, and to give vitality to the improvement of enterprise management. Only if we eradicate these

fetters and eliminate sectarianism will each kind of enterprise be able to choose the best means of realizing the integration of industry and trade and technology and trade.

What is the direction of development from this day forward for foreign trade corporations jointly managed by industrial and trade enterprises? Many comrades do not have a sufficiently clear understanding of this issue. Through a few years of this kind of management, some foreign trade corporations have had definite success, and comrades from the industrial enterprises who have participated in these corporations think of leaving the corporation to manage on their own. They have not seen that the reason for the relatively good results that the corporation has been able to achieve is intimately related to the corporation giving full play to the superiorities and initiatives of both industry and trade. Leaving the foreign trade side out would mean changing back to having one superiority and one initiative, and that would mean weakening oneself. The current problems are as follows: the foreign trade corporations jointly managed by industrial and trade enterprises that have been established need to be further consolidated and improved; in all cases where conditions are right but no corporation has been set up, trial operation should be effected; and some foreign trade corporations jointly managed by industrial and trade enterprises that have been managed relatively well should invite more enterprises that so desire to come into the corporation, and set up many unified entities of enterprises, and together manage relevant import-export trade and economic and technological cooperation.

In the long run, we should guide all enterprises toward integration around the country's ports, and unify toward the outside world. This kind of cooperation, based on a foundation of mutual benefit and voluntary participation, can be close cooperation or it can be a looser form of unity, and can be coordinated with respect to the outside world. At present, we cannot relax with respect to these problems, but must guide our actions in accordance with the circumstances, and gradually resolve them. Realizing the integration on a large scale of branch enterprises of industry and trade enterprises that are centered around ports, that have the inland as support and that take the enterprise as the foundation, would enable China to enter a new stage of development with respect to foreign economic relations and trade, and could have an even greater role with respect to China's four modernizations.

12582/12951
CSO: 4006/939

FOREIGN TRADE AND INVESTMENT

FOREIGN EXCHANGE EARNED BY CHINA'S TEXTILES REPORTED

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 20 Dec 85 p 3

[Article by Feng Xiao [7458 1366]: "Textiles Earned $17.2 Billion in Foreign Exchange in Past 5 Years; Exports Increased at an Average Progressive Rate of More than 10 Percent Each Year"]

[Text] Although international trade in textiles is not flourishing, the import-export volume of China's textiles is estimated to reach $5.4 billion in 1985, including exports of more than $4.1 billion, slightly higher than last year's. The figures were announced by Zhu Youlan [2612 0645 5695], general manager of China National Textiles Import and Export Corporation [CHINATEX], to the officials of foreign embassies in China and to representatives of foreign agencies stationed in Beijing, at a meeting held 18 December.

Zhu Youlan pointed out that during the Sixth 5-year Plan, trade relations between CHINATEX and various countries have developed greatly, and that trade has broadly promoted economic cooperation. During those 5 years, CHINATEX exported $7.25 billion worth of textiles. In 1985, compared with 1980, the volume of textile exports increased 64 percent, an average progressive increase of more than 10 percent each year, and the export quota set in the Sixth 5-year Plan was over-fulfilled 1 year ahead of schedule. During these 5 years, the volume of textile imports totaled $7.6 billion.

He pointed out that textile exports are an important source of foreign exchange, and next year, continued efforts must be made to develop the textile trade, to stimulate and improve business operations, to promote industry-foreign trade and technology-foreign trade integration, to improve products, to increase designs and varieties, and to improve the textile products comprehensively in order to meet the demands on the international textile market and to expand our exports for earning more foreign exchange.

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CSO: 4006/738

FOREIGN TRADE AND INVESTMENT

BRIEFS

GU XIULIAN AT FOREIGN TRADE SEMINAR--A foreign trade seminar sponsored by Jiangsu Province ceremoniously opened this morning at the Jiangsu International Exhibition Hall in Nanjing. Attending the opening ceremony were Gu Xiulian, governor of Jiangsu Province; Zhang Xuwu, vice governor of the province; (Cui Xun), former vice minister of foreign trade; Zhang Yaohua, mayor of Nanjing City; Messrs (William Terry) and (Daniel Sher), representatives of Australia's Victoria State Government; Mr (Horridge), commercial attache of the British Consulate General in Shanghai; responsible persons of state, provincial, and Nanjing City departments concerned; and nearly 500 businessmen from various parts of the world. [Excerpt] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 1 Mar 86 OW] /12913

CSO: 4006/808

SPECIAL ECONOMIC ZONES

SHENZHEN'S FOREIGN-ORIENTED INDUSTRY DISCUSSED

Guangzhou NANFANG JINGJI [SOUTH CHINA'S ECONOMY] in Chinese No 5, Oct 86 pp 20-21

[Article by Fan Di [5400 2769]: "They Key to Shenzhen's Economic Shift Is to Choose and Set Up a Pillar for Its Foreign-Oriented Industry"]

[Text] "Pillar" of the Past

In the past several years, what Shenzhen SEZ relied on for its rapid economic development was the special policies formulated by the central authorities and the people's efforts. The essence of the so-called special policies can be reflected in two aspects: first, allotting part of the domestic market; and second, the policy of preferential taxation. In comparison, the domestic market was stronger as a pillar for Shenzhen SEZ's economic development, because two-thirds of the SEZ's products were sold in the mainland.

The SEZ's reliance on the domestic market for its economic development was only natural for the following reasons: 1) The SEZ was based on a small-town economy in a border area and without an industrial foundation, and at the very onset, its products could not find their way to the international market. 2) The central authoritities did not provide the SEZ with funds; instead, they gave it the benefits of their policies. 3) The SEZ is only part of the national economic system.

Possibility of Continued Reliance on Domestic Market

Since the purpose of a SEZ is to bring in technology and management experiences, it is certainly necessary for the SEZ to be involved in the international market. If the SEZ only imports foreign materials and equipment and sells the processed products on the domestic market instead of joining the competition on the international market, it will finally have to survive on the benefits from the price disparity between the international and the domestic market. Thus the SEZ will become domestic-oriented instead of foreign-oriented, and use "foreign goods" to pound at the domestic market. Therefore, the SEZ cannot entirely rely on the domestic market; its foothold must shift from the domestic to the foreign markets.

Somebody said that if we want to import advanced foreign technology, we must offer our domestic market in exchange. However, as to what kind of technology can and what kind of technology can not be imported in exchange for our market, the idea is but a hazy one. When a high proportion of its products are sold on the domestic market, very little truly advanced foreign technology can be gained at home, and whatever gain we make cannot be significant. Generally, technology and market are not separated. Other things being equal products from advanced technology are superior to products from backward technology. Therefore, in developing foreign markets, there is no contradiction either between technology and market or between importing technology and making an economic shift.

The Key to an Economic Shift

The shift from a domestic-oriented to a foreign-oriented economy means that the SEZ's products should be sold mainly on foreign markets. This is by no means an easy task, because we must first set up a foreign-oriented production structure. There are always some vacant stalls in the international market, and a foreign-oriented production structure does not necessarily call for high technology and big capital. The key lies in the production structure. To form a rational production structure, we should first seek and set up a support for this structure. In other words, we need an industrial pillar.

The present production system in Shenzhen SEZ is not yet comprehensive enough. Its main trade is electronics, and even in electronics, the main functions are assembling and processing. Obviously, it cannot be the pillar of a foreign-oriented economy for the following reasons: 1) The foundation of the electronics trade in Shenzhen SEZ is very weak. Many electronics enterprises have not yet become a really independent entity, because they mostly rely on imported components to be assembled for sale on the domestic market. 2) The quality and production cost of China's electronic products are far different from those of their foreign counterparts, and it would be difficult for them to enter the international market. (3) In recent years, many countries have invested heavily in electronics, and the international market for this product has been basically "partitioned" with nothing left. Under this circumstance, it would be unwise to take electronics as the SEZ's main industry.

A large economic country should have a complete production system and some markets of its own; for a small country, or a region, however, especially under an open-door policy, it must abide by the principle of international division of work and establish a production structure that corresponds to its own specific conditions. There should be no need for it to strive for what is "small and complete."

Looking for One's Own Strong Points

Singapore relied on its geographical advantages for its economic takeoff and its fortune rose with the development of ship repairs, shipbuilding and entrepot trade. South Korea's economy was armed with foreign technology which enabled it to export typical processed products in exchange for foreign

currency, as determined by the international division of work at that time. Hong Kong took advantage of its status as a free port to develop its entrepot trade and its financial business.

What are the strong points of Shenzhen SEZ?

1. The future of Nanhai oilfield has profound effects on the transformation of Shenzhen's production structure. If the future of the oilfield is bright, then the SEZ can form a foreign-oriented production structure centering on petrochemical industry. Under the present conditions, however, it is still unwise to stake everything on a single venture.

2. Hong Kong as a close neighbor is undoubtedly the SEZ's tremendous asset, and Hong Kong's entrepot trade, money market and information communications system should be of good reference value.

3. The central authorities' special policies for SEZs are also one of the advantages for the SEZ's continued development.

We believe that 2, and 3 are the most significant advantages. The advantages of cheap labor and selling part of its products on the domestic market cannot last very long. The advantages offered by its neighbor Hong Kong and certain special policies for the SEZ, however, can enable Shenzhen to set up the pillar of its own foreign-oriented industry.

Development of Entrepot Trade for a Start

Why is it necessary to start with the development of entrepot trade?

1. By developing its entrepot trade, it will be easier to maintain a balance of foreign exchange receipts and payments than by developing industry.

2. For the development of entrepot trade, we can take some lessons from Hong Kong, and at the same time, share some of its advantages. While Shenzhen SEZ for the time being cannot force its way into the international market, it would be better to share some of Hong Kong's advantages in entrepot trade than to let Hong Kong monopolize them.

3. Trade and industry cannot be viewed separately because production and marketing are closely linked together in a modern economy. Development of entrepot trade needs backing from industry and commerce and can help in their rapid and purposeful development, resulting in a new production group.

4. Simple reexports can be developed into exports of processed imports, then into both domestic exports and reexports, and finally into exports from an export production base having a complete industrial system.

5. Entrepot trade forms a link between the hinterland and the foreign markets. There are both long- and short-range benefits to be gained. It does not require heavy investment. As long as there are certain special policies, Shenzhen SEZ will have the authority to undertake entrepot trade.

Therefore, if Shenzhen SEZ is to have a foreign-oriented economy in a few years, it may be possible for entrepot trade to serve as its industrial pillar in the short- or medium-term.

Long-Term Production Structure and Its Pillar

Entrepot trade serves only as a springboard for the Shenzhen SEZ to accomplish its economic shift, since the SEZ's basic aim is to develop the other trades and thus form a rational production structure.

1. To develop the entrepot trade, it must first invest more in the development of communications, information and consultation facilities, thus spurring on the development of telecommunications and finally the establishment of an information department with communications as its main concern.

2. The expansion of entrepot trade requires the services of many enterprises engaging in storage, bonded warehouses, sea transport and air transport. Thus the development of transportation departments and improvement of the technology of storage will lead to the emergence of many new service trades.

3. The development of entrepot trade needs financial services for support, and financial development will result in a flexible money market for the SEZ.

4. To develop the exports of processed imports, there should be a number of enterprises to undertake packaging and fine processing, thus leading to the development of packing and fine processing trades in the SEZ.

5. The development of information has created a market for electronic products, and the development of fine processing will lead to the development of precision machinery. These developments will results in a foreign-oriented industry.

There are good prospects for the communications, consultation transportation, finance, storage, packaging, and fine processing trades, and most of these trades belong to the information industry. With such a light and comprehensive production structure, it will not be difficult for Shenzhen SEZ to accomplish the development of its foreign-oriented economy. There is a great future for the information trade to serve as the pillar of SEZ's industry.

The shift from entrepot trade to information trade is a natural and logical process. It saves money and helps us avoid the wrong paths in the readjustment of the production structure.

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CSO: 4006/738

SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN TECHNOLOGY EXPORT FAIR--Shenzhen, March 2 (XINHUA)--China will sponser a large technology export fair between April 10 and 20 in Shenzhen, one of China's four special economic zones. About 120 items of technology up to the world's advanced level will be among 1,200 projects--all made in China--on display. They include samples of a mini-reactor, "Long March" No 2 and No 3 carrier rockets and an earth-synchronous satellite launched recently. "This shows that China is no longer a purely technology import country but a technology export country," said Jin Zhude, secretary general of the fair council. The ministries of astronautics, aviation, electronics, nuclear industries and ordnance, and the China Corporation of Shipbuilding Industry will participate in the 11-day fair. Foreign firms and scientific bodies are welcome to exchange items of technology at the fair, which has invited trade organizations from 70 countries and regions. [Text] [Beijing XINHUA in English 1322 GMT 2 Mar 86 OW] /6662

CSO: 4020/248

LABOR AND WAGES

WOMEN ARCHITECTS ASSOCIATION FOUNDED IN BEIJING

OW100531 Beijing XINHUA in English 0903 GMT 8 Mar 86

[Text] Beijing, 8 March (XINHUA)--The Women Architects' Association of Beijing, the first of its kind in China, was set up at a meeting here today.

The association will organize technical exchanges with women in other parts of China and abroad, conduct research and inspect newly-designed buildings.

It has an initial membership of 91, and Huang Jing, a residential housing designer from the Beijing Municipal Architectural Design Institute, has been elected president.

One third of the 400 architects at the Beijing Municipal Architectural Design Institute are women, and nearly 40 percent of teachers at the Department of Architecture of Qinghua University in Beijing are female.

Designing work on some of the capital's major buildings was presided over by women. They include the Beijing Hotel, the China International Trust and Investment Corporation (CITIC) building and a new building at the Peking Union Medical College Hospital.

The Women Architects' Association will sponsor an exhibition of 80 architectural planning and design drawings by its members at the 7 February Theater here from next Monday to Wednesday.

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CSO: 4020/253

LABOR AND WAGES

PAPER REPORTS ON REFORM OF RETIREES PENSION PLAN

HK150602 Beijing CHINA DAILY in English 15 Mar 86 p 1

[By staff reporter Zhu Ling]

[Text] China is preparing to reform its pension scheme to tackle the problems of the enormous number of retired people in the country.

The move is part of the nation's drive to further push forward its urban economic reforms, aimed at enlivening business enterprises.

An official of the Ministry of Labour and Personnel told CHINA DAILY yesterday that the state is discussing setting up a central pension scheme for people retired from state-run units.

Under the scheme, a central pension reserve would be set up with money contributed by all state-owned units. Regardless of how many pensioners a unit has, each will be required to contribute a sum of money equal to a certain percentage of the staff payroll to the state.

The contribution will come from part of the taxes and profits each unit will turn over to the state, said Tian Chunrun, a deputy division chief of the ministry's Bureau of Labour Insurance and Welfare.

"Considering that such a change might need economic readjustments, it is not easy to nationalize the pensions system right away," said Tian.

The government has suggested that a central reserve should first be set up in local cities and counties, and then extended to the provinces and the country as a whole.

This social insurance approach has already been widely tried in local cities and counties in such provinces as Guangdong, Fujian, Sichuan, Jiangsu and Liaoning, but the government has yet to decide on a fixed percentage for all state-run units, Tian said.

Starting 1985, all state units in Dongwan County, Guangdong Province, began contributing a sum of money equal to 25 percent of the staff payroll; Zigong City, Sichuan Province, set the percentage at 12.5; and Mexian City, Guangdong, contributed 20.65 percent.

The expected centralized scheme is a revival of what the country was doing before the "Cultural Revolution" (1966-1976) started. At that time, each state-run unit turned over a sum of money equal to 3 percent of the staff payroll to the All-China Federation of Trade Unions.

Since 1969, each unit has started paying its pensioners directly, resulting in an enormously heavy load for those with a large number of pensioners.

For example, the Transport and Loading Company in Chengdu, Sichuan Province, has a staff of 4,000 and the same number of pensioners. The company's profits have been overtaken by pension payments and it has been running a deficit since 1978. A newly-established tube factory in Shaanxi Province has a staff of 6,000 but only has 15 pensioners.

Such a wide difference is an obstacle to the current urban economic reforms, hindering the accurate reflection of enterprises' economic performance and the normal competition between enterprises under the same conditions.

This problem has become increasingly urgent as the ranks of retired people have swelled rapidly in recent years, Tian said.

Since 1978, the number of people retiring from state-run units has grown by an annual average of 1.4 to 1.5 million. The total figure was expected to reach some 12 million by the end of 1985, 12 percent of the total state employees.

The state regulation stipulates that male employees can retire at 60 and females at 55. For female blue-collar workers, the retirement age is set at 50.

In 1984, the state paid out 8.5 billion yuan in pensions to the 10.26 million retired state employees, compared to 1.63 billion yuan to 2.84 million people. By 1990, the number of retired people is expected to hit 25 million.

In the face of such massive growth, the state must strengthen its pension management, Tian stressed.

"Pensions for the retired are fully guaranteed in our country. A reform of the system will also ensure pensions are carefully distributed," he said.

When the new scheme is established, the money contributed by the units will be passed on to local city governments so that they can administer the pensions for retired people living in the area.

As more than 10 percent of retired people now live far away from the units they worked for, a joint effort between local governments and pensioners' units is needed to take care of the retired population.

Local governments at all levels shoulc eventually take responsibility for pensions' welfare so that business enterprises can concentrate on their work, Tian said.

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CSO: 4020/253

HONG KONG BANK CONFIRMS PRC CAPITAL INJECTION PLANS

HK100539 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 10 Mar 86 p 1

[Text] A statement issued by Ka Wah Bank at the weekend confirmed that China International Trust and Investment Corp (CITIC) plans to inject $350 million into the bank.

It also said CITIC will guarantee the collectability of existing loans of Ka Wah and Ka Wah International Merchant Finance Ltd within a period of not more than 3 years, subject to the provisions of a counter-guarantee by the Hong Kong Government.

A preliminary announcement about the deal was made by CITIC last week.

There were some indications yesterday that certain points remained to be ironed out and that final specifics could differ in some way from the announcement, but authoritative sources could not confirm that.

The announcement said Ka Wah's board had decided that additional provisions for bad and doubtful debts should be made, and in consequence--"to reflect that the share capital is no longer represented by available assets"--that the par value of the 364 million shares should be reduced from $1 to 5 cents and the shares then consolidated into 18.2 million shares of $1 each.

Those will rank pari passu with the ordinary shares to be issued to CITIC.

For its $350 million, CITIC would get $200 million in ordinary shares and $150 million in 10 percent cumulative convertible redeemable preference shares of $1.

The latter will only carry voting rights on matters affecting them, and will not be redeemable for at least 3 years.

After the subscription, CITIC will hold about 92 percent of the issued ordinary shares before conversion of the preference shares.

For all phases of the plan to go through, approval by shareholders, the Supreme Court, the commissioner for securities and the Stock Exchange of Hong Kong will be needed, which is likely to be given.

The directors of Ka Wah said in the announcement they will vote the 42 percent of the issued shares they control in favour of the proposals.

Following the injection of its capital, CITIC will assume overall responsibility for Ka Wah's management and operations.

Although the board will be reorganised, the position of the bank's employees will be preserved, according to the announcement.

A separate division will be established within the bank to work on the recovery of doubtful loans.

The announcement said the board is confident "in view of the involvement of CITIC, an organisation which enjoys a high international reputation, and the strong support of the Hong Kong government," that "the financial and business base" of the bank will be "substantially strengthened."

The announcement indicated Ka Wah and CITIC had yet to sign agreements to formalise the proposals but would do so "as soon as practicable," after which documents will go to shareholders.

The intention is for Ka Wah to remain listed.

Application will be made for a waiver of the requirement for CITIC to make an offer to acquire existing shares of Ka Wah under the Take [word indistinct] Mergers Code.

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CSO: 4020/254

SINGAPORE BANK TO TAKE OVER FINANCE COMPANY

HK110359 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in english 11 Mar 86 p 1

["Special correspondent" report]

[Text] The Development Bank of Singapore [DBS] is set to take over the republic's leading finance company, Great Pacific Finance [GPF] Ltd, from Hong Kong's troubled Ka Wah Bank and Singapore's Low family.

DBS could get the entire company, which has paid-up capital of $40 million (about HK$147 million), for $24 million.

In an announcement at the weekend, DBS said shareholders with a total of 24 million shares, or 60 percent, had agreed to sell their GPF holdings at 60 cents a share.

The Singapore giant is now waiting for holders of the remaining 40 percent to come forward with similar offers. A sale and purchase agreement would only be concluded when the offer for sale from all GPF shareholders was received, DBS said.

Although it did not name the shareholders willing to sell, these are understood to be members of the Low family and Ka Wah Bank. The Low family owns 40 percent of Ka Wah.

Ka Wah, now subject to a takeover by China International Trust and Investment Corp, is believed to have extended huge loans to Singapore interests caught up in the problems of Pan-Electric and magnate Tan Koon Swan.

The DBS taekover is believed to have been sought by monetary authorities, reportedly unhappy about the GPF relationship with Ka Wah Bank and the Lows.

Ka Wah Bank owns 30 percent of GPF and the Low family--represented on the GPF board by Messrs Low Chung Song and Low Chun Seng--has 27.5 percent. Most of the rest is held by relatives of the late rubber magnate Tan Lark Sye.

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CSO: 4020/254

BANK OF CHINA'S HONG KONG CD ISSUE SELLS OUT RAPIDLY

HK140701 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 14 Mar 86 p 2]

[By Cecilia Ko]

[Text] The syndication of a U.S.$100 million fixed-rate 5-year certificates of deposit [CD] issue by Bank of China's [BOC] Hong Kong branch has been completed, with 23 banks committed to join as co-managers.

Banking sources said yesterday the syndication was closed a few hours after Citicorp International and China Development Finance (Hong Kong) launched the issue on Wednesday afternoon.

Sources said the two lead managers intended to invite only 20 banks but the response was better than expected.

Although there is criticism in the market that the BOC issue is another "friendship deal," some bankers familiar with the deal argued that comparable Eurodollar bond issues launched yesterday in London were yielding 35-40 basis points over U.S. Treasury bills, which is 30-35 basis points lower than the yield on the BC paper.

In fact, banking sources said if BOC had issued bonds in London with similar maturity, the coupon could be lower than the 8 percent fixed for the issue.

The rate differential is just to compensate for the difference of perception in the liquidity of a bond and a CD issue, the bankers said.

Banking sources said the co-management group includes BA Asia, Bank of East Asia, Banque Bruxelles Lambert, BOT International CCIC Finance, Chase Manhattan Asia, Chemical Asia, Credit Suisse, First Boston Asia, Dai-ichi Kangyo Finance, East Asia Warburg, First National Bank of Chicago, IBJ Asia, Indoseuz Asia, LTCB Asia, Manufacturers Hanover Asia, Normura International, Orion Royal Pacific, Paribas Asia, Samuel Montagu, Sanwa International Finance, Societe Generale Finance and Tandard Chartered Asia.

It is believed the issue will be swapped into floating rate commitments so that BOC will obtain funds at a rate below the London Interbank offered rates.

Meanwhile, the downward pressure on local interest rates following the decline in U.S. rates prompted three banks and a deposit-taking company to launch fixed-rate CD issues in the past 2 days.

West LB (Hong Kong branch), credit Agricole (Hong Kong branch), Belgian Bank and Canadian Eastern Finance Ltd are raising $150 million, $100 million, $150 million and $100 million, respectively.

Arranged by Morgan Guaranty and Standard Chartered Asia, the West LB and Credit Agricole CDs will both mature in 3 years and 35 days, with the former carrying a coupon of 8.2 percent and the latter of 8.15 percent.

Interest on both issue will be payable quarterly.

The payment date for both issues is 21 April.

Their identical maturity suggests the two issues may be linked to the same swap arrangement.

Lead-managed by Morgan Guaranty and Standard Chartered Asia, the West LB issue will be co-managed by nine banks.

Credit Agricole issue will also be co-managed by nine banks.

The $100 million Belgian Bank issue is in two equal tranches.

The first will mature in 4 and 1/2 years and carry a 9 percent coupon with interest payable quarterly.

Front-end fee is 25 basis points and the payment date is 23 April.

The second tranche will mature in 2 years and carry a coupon of 7.75 percent, with interest payable quarterly.

Front-end fee is 20 basis points and the payment date is 4 April.

Manufacturers Hanover Asia and Generale Belgian Finance as the lead managers for the issue.

Joining them as co-managers are Amsterdam-Rotterdam Bank N.V., China Development Finance (Hong Kong), Hang Seng Bank, IBJ Asia, Indosuez Asia, Jardine Fleming, Morgan Guaranty, Orion Royal Pacific, Societe Generale Finance (Hong Kong) and Standard Chartered Asia.

The CD issue by Canadian Eastern Finance, a joint venture deposit-taking company of Canadian Imperial Bank of Commerce and Cheung Kong (Holdings) Ltd, carries a coupon of 8.25 percent, with interest payable quarterly.

Lead manager Indosuez Asia has invited 11 banks to underwrite the issue.

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CSO: 4020/254

HONG KONG

BANKS' COMPETITION OVER LOANS TO PRC CAUSES CONCERN

HK140715 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Mar 86 p 5

[By Paul Sham]

[Text] Fierce competition among Hong Kong banks to lend money to China-owned enterprises is becoming a cause of concern for the Hong Kong Association of Banks, which has no control over rates charged on loans.

According to a local bank executive, the quest for major borrowers such as Chinese corporations has become so keen that the normal interest rate charged on short-term loans has been reduced from a margin of 0.25 percent to 0.125 percent above Hibor, the Hong Kong interbank offered rate.

In addition, he said, many banks have skipped the customary requirement of obtaining guarantees from clients in an effort to beat competitors.

Another banker described the scramble for business with major borrowers as disturbing.

Competition is particularly intense to provide trade financing facilities.

Banking sources said China-owned enterprises have traditionally been inclined to use the services provided by the Bank of China group but are not adopting a more liberal attitude towards other banks.

They said the opening fee for credit facilities, previously set at 1/8 percent on the portion of the amount above U.S.$50,000, is now down to 1/200 percent, with some banks charging no fee at all.

The opening fee has undergone a dramatic reduction over the past year, falling from 1/16 percent through 1/32, 1/64, 1/128, 1/200 and, finally, no charge at all when some bankers decided the amount was so minute as to be meaningless.

The acting chairman of the Hong Kong Association of Banks, Mr Keith Whitson, told BUSINESS NEWS the situation has reached the point where some action should be taken. He declined to say whether the association would put the issue on it agenda but said it was quite likely some committee member would raise the matter since the competitive state of the market was a major talking point among bankers.

Mr Whitson suggested one solution to restrain the price war could be to raise the ceiling on deposit rates. As the banks' funding costs increased, their willingness to offer loans at fine margins would be dampened.

Under the interest rate agreement, the association only has the authority to set the maximum interest rate banks can pay on deposits, but has no say on lending rates.

The chairman of Hang Seng Bank, Mr Q.W. Lee, confirmed that the fierce competition has been a major source of concern in the banking community recently, but doubted whether any change would result even if the association put the issue on its agenda.

"Free competition is a fact of life in the banking business, and the association has no say in setting the lending rate," he said.

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CSO: 4020/254

CITIC MAY NEED TO REDUCE CONTROL OF KA WAH SHARES

HK110401 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 11 Mar 86 p 1

[By Cecilia Ko]

[Text] China International Trust and Investment Corp [CITIC], which is poised to inject $350 million into the ailing Ka Wah Bank, may eventually have to reduce its stake if it wants the bank to retain its stock market listing.

The bank said at the weekend it intends to keep the listing after the capital restructuring exercise.

But a Kam Ngan Stock Exchange spokesman told BUSINESS NEWS the exchange's listing rules state that a company can be listed only if 25 percent of its shares are publicly held.

Under the takeover proposal, CITIC will hold 95 percent of the issued ordinary share capital of Ka Wah after subscribing to the ordinary shares and converting the preference shares.

This means only 5 percent will be held by minority shareholders.

The Kam Ngan spokesman said he believes CITIC will have to reduce its stake in the bank in order to comply with listing requirements.

Since the takeover of Ka Wah Bank is an exceptional case, the spokesman said the exchange will allow CITIC sufficient time to dilute its stake.

He said the exchange has not yet discussed the matter with Ka Wah or CITIC officials.

The Deputy Commissioner for Securities Derek Murphy said as a general proposition, a company must ensure a sufficient spread of its shares in public hands in order to get or maintain a listing on the stock exchanges.

He declined to say if CITIC will have to reduce its stake in Ka Wah if the bank is to retain its listing.

He said the Securities Commission has to look at the general porposition in light of the circumstances of each case.

CITIC proposes to subscribe to 200 million ordinary shares of $1 each and 150 million 10 percent cumulative convertible redeemable preference shares of $1 each after the bank undergoes a capital reduction scheme.

Bankers said the counter-guarantee provided by the Hong Kong Government on the collectability of Ka Wah's existing loans and the preference share arrangement make the deal commercially viable for CITIC.

The Secretary for Monetary Affairs David Nendick told BUSINESS NEWS although the government agreed to give a counter-guarantee on the collectability of Ka Wah's loans through the Exchange Fund, there is no pre-determined policy on whether such a guarantee will be given in every case where a local bank is in difficulty.

Mr Nendick did not say on what grounds the government had agreed to guarantee Ka Wah's loans.

But he said the government has the responsibility of protecting the overall integrity of the banking system as well as the interests of small depositors.

It is on these grounds that the Exchange Fund can be used.

Under the proposal, CITIC also has the flexibility of either converting the preference shares into ordinary shares or redeeming the preference shares to get back part of its investment after 3 years.

As the dividend payable on preference shares is ranked before the ordinary shares, CITIC will be guaranteed a return on the 150 million Ka Wah preference shares if the bank is able to distribute a dividend.

Sources close to the bank said CITIC and Ka Wah are expected to sign the agreement at the end of next week, following which a document will be sent to shareholders, an extraordinary general meeting arranged and court approval sought for the capital reduction scheme.

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HONG KONG AGREES TO ACCEPT RENEWAL OF MULTIFIBER ARRANGEMENT

HK100537 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 10 Mar 86 p 1

[Text] Hong Kong, as well as other developing countries, has agreed to accept the renewal of the multi-fibre arrangement, the director of trade, Haimish MacLeod, told BUSINESS STANDARD yesterday.

Mr MacLeod returned from Beijing yesterday after meeting with representatives from 22 developing countries involved in the export of textiles and clothing.

The aim of the 5-day meeting, from 4 to 8 March, was to seek a united front among the developing countries for the next round of negotiations on the MFA.

The current arrangement came into force in 1982. It [is] due to expire on 31 July.

The secretary for trade and industry, Eric Ho, said earlier that Hong Kong favoured the renewal of the MFA.

He disclosed this to the press last week after meeting with European trade commissioner, Willy de Clercq, in Brussels.

However, after Mr Ho revealed Hong Kong's position, textile and clothing exporters were still worried that other developing countries might not share the same stance.

Because of its larger existing export base, Hong Kong enjoys bigger quotas under the MFA than most developing countries.

Many developing countries previously challenged the relevance of the MFA and called for a return to free global trade in the basic spirit of the General Agreement on Tariffs and Trade (GATT).

But Mr MacLeod said yesterday these countries understand that an instant abolition of the arrangement will cause uncertainties.

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HONG KONG EXPORT VOLUME UP 6 PERCENT IN 1985

HK090638 Hong Kong HONG KONG STANDARD in English 9 Mar 86 p 15

[Text] Statistics released yesterday by the Census and Statistics Department indicated that the volume of redown exports grew by 25 percent in 1985 compared to 1984, while the volume of domestic exports decreased by 5 percent, making an overall increase of 6 percent in volume of total exports in 1985. Imports also increased by 6 percent by volume. Over the same period, the prices of domestic exports remained unchanged while those of redown exports rose by 1 percent, so for total exports, prices increased by 0.5 percent.

Prices of imports, however, fell by 3 percent. As a result, the terms of trade index, expressed as a ratio of the total export price index to the import price index, rose by 3 percent.

Prices are based on unit values which do not take into account changes in the composition or quality of goods trade, except for some selected commodities for which specification price indexes are compiled. The volume of trade is derived from trade values by discounting the effect of price changes.

Comparing December 1985 with December 1984, both the volume of total exports and imports increased by 7 percent. Within total exports, the volume of domestic and redown exports also each increased by 7 percent. Over the same period, prices of domestic exports and redown exports dropped by 3 percent and 2 percent respectively, so for total exports, prices decreased by 3 percent. Prices of imports decreased by 1 percent. As a result, the terms of trade index dropped by 1 percent.

The changes in the value, domestic export prices for about half of the commodity groups listed therein dropped in 1985 as compared with 1984. This included metal ores and scrap, down 16 percent; watches and clocks, down 8 percent; textile fabrics, down 5 percent; radios of all kinds, down 5 percent; and footwear, down 5 percent. Increases in domestic export prices were registered for textile madedown ups and related articles, up 5 percent; travel goods, handbags and similar articles, up 5 percent; metal manufactures, up 3 percent as well as clothing, up 2 percent. The domestic export volume of many commodity groups dropped in 1985 when compared with 1984, the more substantial ones being radios of all kinds, down 25 percent; electronic components, down 25 percent; travel goods, handbags and similar articles, down 25 percent; textile yarn and thread, down 18 percent; as well as textile made-ups and related articles, down 11 percent. Nevertheless, increased in domestic export volume were recorded for watches and clocks, up 14 percent and footwear, up 3 percent.

Import prices of some enddown use categories decreased in 1985 as compared with 1984, ranging from 4 percent for raw materials and semidown manufactures to 7 percent for foodstuffs. The import prices of capital goods and consumer goods remained unchanged over this period. Imports of many major foodstuffs increased in volume terms in 1985 compared with 1984. Significant growth was recorded for live poultry; tea and coffee, soya bean oil; peanut oil and lard; fish and fish preparations; cereals and cereal preparations, other than rice, wheat and flour; fruit as well as meat and meat preparations. However, decreases in import volume were registered for sugar and live pigs.

Over the same period, the import volume of many consumer goods increased, the more substantial ones being domestic appliances; tobacco manufacturing; cameras, flashlights and photography supplies; passenger cars; radios, television sets, record players, records, tape recorders and amplifiers. However, decreased in import volume were noted for alcoholic beverages and miscellaneous textile materials. The import volume of most raw materials and semidown manufactures rose in 1985 compared with 1984, including wool and other animal hair; base metals, excluding iron and steel; silk fabrics; watch and clock movements, cases and parts as well as special textile fabrics for industrial purpose. Imports of fuels fell by 6 percent in volume in 1985 as compared with 1984.

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HONG KONG DOUBTS EEC WILL FREEZE TEXTILE QUOTAS

HK080514 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 8 Mar 86 p 1

[By Cynthia Yuen]

[Text] The European Economic Community (EEC) is unlikely to freeze Hong Kong's textile quotas at current export levels, a Trade Department official said yesterday.

Reports have been circulating that the EEC Commission has come up with a resolution to freeze the textile quotas allocated to the four socalled "dominant suppliers"--Hong Kong, South Korea, Macao, and Taiwan--at current export levels.

But Joseph Wong, assistant director in the Trade Department, told BUSINESS STANDARD that they are not aware of such an intention.

"Since the EEC is now taking a more liberal stance towards opening up trade, such a restriction is very unlikely.

"However, Hong Kong and the other three dominant suppliers will continue to be discriminated against and will have to put up with more unfavourable terms than the other developing countries," he said.

Mr Wong said EEC's position will become much clearer after the Council of Trade Ministers meets on 10 and 11 March.

They will then determine their stance on the Multi-Fibre Arrangement [MFA] as well as bilateral agreements.

The current MFA will expire on 31 July while the EEC's bilateral agreement with Hong Kong is due to expire at the end of this year.

Presently, the Trade Department has learned that the EEC will be adopting the principles of openness and flexibility. But details are still not known.

Some sources pointed out that the EEC Commission will propose to give more leeway to exporters to transfer under-utilised quotas from one EEC country to another.

Mr Wong declined to verify the report but added that such a move would be welcomed by Hong Kong.

Under the current agreement Hong Kong can apply for a transfer of quotas, but ultimate approval has to be given by the concerned EEC countries.

Mr Wong said that if quota transfers can become automatic, Hong Kong exporters should be better able to utilise their quotas.

Hong Kong's present agreement with the EEC took effect in 1983. Quotas for five major export items T-shirts, pullovers, pants, women's blouses and men's shirts--were cut 6.3 percent from 1982 levels.

An annual export growth rate of 0.5 percent is allowed under this agreement.

Due to the sluggish export performance in 1985, the overall rate of quota utilisation was only 67 percent. But exports of the five major items were better, quota utilisation was high as 95 percent.

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HONG KONG PAPER EXAMINES EXPORT QUOTA ISSUE

HK140725 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Mar 86 p 6

[Editorial: "Bid to Cut Quota of Problems"]

[Text] The textile quota situation has been fraught with problems ever since textile and garment exports began to be restrained. That was back in the 1960s.

The problems have become increasingly complicated as the size of the industry grew and the volume of trade expanded to be among the biggest in the world.

As Hong Kong emerged as the largest exporter of garments, in value terms, so the problems have burgeoned. They have, by now, become perennial.

The main problem remains the transfer of quotas.

It stems from the need for quotas by some (usually small and new) manufacturers and the surfeit of others (usually big quota holders).

That situation has bred a brisk business in quotas.

Despite the roaring trade by "quota farmers," (those who habitually run up profits for the sale of quotas rather than from manufacturing garments), the transfer system is tolerated by the government as it gives the trade flexibility.

Through the sale of quotas, Hong Kong makes sure it utilises to the utmost the limit allocated to it by major importing countries.

The Hong Kong Exporters' Association must be commended for appropriately setting up a quota exchange centre, bringing together the manufacturer in need and the holder who wants to sell.

In effect, the centre is cutting the broker out of the transaction, reducing the cost to the small manufacturer.

One setback of the traditional transfer system has been the ease with which the holder could dictate the quota price. Thus, when the demand for a certain quota was high, manufacturers had to pay as much or more than the value of the product for it.

Cutting out the broker helps diminish the cost--perhaps not substantially but still, it is a breakthrough.

The association offers the service to its members, of course. But it is open to non-members as well for an annual fee of $400. No commission is charged.

It is to be hoped more manufacturers take up the association's offer of service.

It is the first time a trade organisation has provided the industry with a service which could simplify the search for quotas and at the same time save money.

The more manufacturers to join the exchange, the more comprehensive the service will become.

There will be even greater need for such a service in the future as the textile trade becomes more complicated by new export restraints.

The possibility of additional restrictions is particularly strong from the United States.

The textile trade picture coming from the American market is bright in [word indistinct] respect--exports of garments and fabrics is robust. Hong Kong's exports grew 11 percent over 1984, the biggest percentage rise among regional suppliers.

Underpinning the territory's overall growth was the sizeable rise in garments fashioned out of fibres not restrained under the bilateral agreement with the United States.

The scenario is dimmed, however, by the likelihood that Hong Kong's export performance will come up for discussion when the negotiating team from Washington meets Hong Kong's representatives on Monday.

The Americans are expected to point to export "surges" and call for voluntary restraints. Hong Kong is likely to be asked to freeze its exports at last year's levels.

Any new category added to quota controls would hurt Hong Kong's industry substantially.

Under the existing textile agreement--which does not expire until the end of next year--exports of cotton, wool and man-made fibre garments and fabrics are restricted. Almost all exports of the three materials are under restraint. What few categories are left have sometimes been subject to "calls" in the course of the textile year.

In the past 2 years the United States "called"--that is, asked for restraints--on at least 10 categories during each year claiming exports had increased to a level threatening the domestic market.

In most cases the "calls" resulted in additional barriers after negotiations. but in some cases, Hong Kong was able to prove the calls were unjustified.

A couple of cases became issues of disagreement which were elevated by Hong Kong to the Textiles Surveillance Body of the Multi-Fibre Arrangement. Hong Kong's stand was upheld.

The negotiators from the Department of Trade are expected to refuse any requests for additional barriers on Monday.

Any new restrictions have to be justified by proven need in the U.S. market. For the industry of Hong Kong--which places no restraints on the entry of American goods and Services--will severely suffer from any new controls.

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END

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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

LIAOWANG REVIEWS STATUS OF PRICE REFORM

HK100941 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 9, 3 Mar 86 pp 14-15

[Article by Chang Ging [1603 3237], member of the State Council Price Research Center: "China's Price Reform: Review and Prospects"]

[Text] China's price reform over the past year has attracted worldwide attention. What is the current situation and result of this reform, and what is the trend of its development? On this question, the comparatively identical view of Chinese economists and sociologists is: the reform will succeed, and the consumers will gradually adapt themselves to the new situation. It is predicted that this year, the price reform will be continued in accordance with the policy of consolidating, digesting, and supplementing previous achievements.

Four Tasks for the Price Reform

Generally speaking, there are four tasks for China's price reform:

-- Relaxing the centralized control of nonstaple food and vegetable prices so that they can become market prices;

-- Reforming the method of increasing prices for the above-quota purchase of grain and cotton and adopting the method of contract purchase and the form of mixed price ratios between grain and cotton;

-- Increasing the charges for short-distance railway transport by 4 yuan per ton with distances of less than 200 kilometers, so that short hauls by rail can be restricted and be replaced by motor transport;

-- relaxing the prices of the means of industrial production as commodities and adopting a double-track system of planned prices and market prices.

Background of the Price Reform

The price reform is a product of economic growth and the reform of the economic structure.

First, the success of China's rural reform has provided experiences and laid a foundation for the reform of the economic structure in the cities. At the same time, it has also added pressure to the cities' reforms. On the one hand, the reform of the rural economic structure has mobilized the peasants' initiative in production, resulting in the rapid growth of agricultural production and the dramatic change in the supply and demand of agricultural and sideline products compared with the situation before the reform. In this way, it has provided market conditions and experiences for the reform of the price system for agricultural and sideline products. On the other, the implementation of the rural economic responsibility system has objectively demanded the abolition of the system of state monopoly for purchases and set-quota purchases during the period of the people's communes and mandatory planning for the peasants and demanded relaxing the planned management of prices of agricultural and sideline products and vegetables.

Second, since the reform of the economic structure in the cities started in 1984, there has been an insurmountable obstacle for all kinds of reforms: the irrational price system and the over-rigid control of prices. For example, China has enlivened millions of its enterprises and introduced market mechanism, but due to the irrational price system, the enterprises are unable to attain their motive of seeking more profits. China's reform has resulted in the coexistence of diverse forms of ownership, but since the state-owned economy is over-rigidly controlled by planning while other economic sectors are relaxed, there has appeared a negative effect in the regulation of prices. China is unable to make further progress in its reforms in many fields, including the reform of its financial system to substitute taxes for delivery of profits and the reform of its banking system to improve the management of the specialized banks, because on the question of economic returns of the enterprises, it is unable to make an effective appraisal. For this reason, people of insight have realized that price reform is of key importance to the overall reform.

Third, the reform in the cities, which was started from the sphere of distribution, has stimulated the motive of the enterprises to seek more profits. However, since prices have been seriously distorted, they have been playing a role of reverse regulation on enterprise management. As a result, the vitality in the micro and the rational movement in the macro are developing in the opposite direction. Due to the "independent management" in the financial reform, there are more and more extrabudgetary funds with each passing day. The irrational prices have wrongly guided the orientation of investment and the originally unbalanced industrial structure has deteriorated. As a result, basic industry, which was originally very weak, has become even weaker, while the processing and assembly industries, which were originally developed, have become more developed. The entire economic structure has thus become more irrational. In order to give play to the regulatory function of pricing in a correct way, it is necessary to eliminate distortion in the price system as soon as possible.

Before the price reform, China had already obtained some experiences from certain experimental points. In theory, the general orientation was comparatively clear, that is, to establish a pattern of the planned commodity economy.

Through the discussion on this problem, the press circles reached a basically identical view on the price reform. In 1984, some good experiences were summed up by certain places, such as "relaxing vegetable prices to enliven vegetable production and achieve steady growth." Thus, the pace of reform was quickened in the first quarter of 1985.

Apart from this, there is also a more direct reason for carrying out the price reform, that is, the good economic situation in 1984. At the beginning of 1984, there was a comparatively relaxed economic situation in China. So the government held that conditions were ripe for the price reform and began to work out a plan for it through repeated discussions. The final decision was then made at the beginning of 1985.

Victory in the First Fighting

One year has passed since the price reform started. The relatively identical opinion of China's experts in the economic and sociological circles is: The reform is a success, mainly expressed in the following facts:

1. The price reform has promoted the development of the economy toward the pattern of the planned commodity economy. It has enlivened the economy, started the work of strengthening market mechanisms, and created conditions for the reforms in various fields including banking, finance, materials, and planning.

2. It has played a role in promoting production and stimulating circulation and given play to the function of pricing in balancing demand and supply and rationalizing the investment structure. The double-track price system for productive means and the relaxation of nonstaple food and vegetable prices have greatly stimulated supply. As a result, there is an ample supply of goods in the market, with rich variety. By implementing this measure, some markets and circulation systems, which are characterized by diverse channels and few links, have become more mature. The rationalization of prices has played a very good role in guiding production management and investment.

3. After successfully passing the "period of pains," the reform has strengthened the bearing capacity of society and taught the managers to make decisions scientifically. For a long time in the past, due to the practice of the fixed price system, both enterprises and residents were used to unchanging prices. Now, as a result of "relaxing" prices, there is fluctuation in market prices. Now the consumers have adapted themselves to this situation step by step, thus lightening the load on their minds. At the same time, in the great school of the law of value, the enterprises have also learned how to sort out, analyze, and predict price information and make decisions scientifically.

4. It has blazed a new trail of combining both readjustment and relaxation of prices. It is difficult to carry out the price reform because it concerns the interests of various departments and areas. But now, since the readjustment and relaxation of prices are related to each other, this problem concerning the interests of various sectors has been quickly solved through market regulation.

Whether or Not the Desired Results Have Been Achieved

Of course, there are also some lessons to sum up in this reform. The main problem is that the market prices have greatly hit at the planned prices, which is actually a result of separation between the planned regulation mechanism and the market regulation mechanism. Since there has been a considerable rise in prices, chiefly the temporary fluctuation of nonstaple food and vegetable prices due to the relaxation, the people have a heavier load on their minds, fearing that the price fluctuation may affect their livelihood.

There are four reasons for this problem: 1) The price reform was carried out during the high tide of expansion of the general social demand. 2) There was insufficient mental preparation in the society for the reform. In old China, the economy was in great disorder during the war and prices skyrocketed. All this cast a shadow on the people's mind. For this reason, the people are especially sensitive about changes in prices. In addition, there was insufficient propaganda and preparation for the reform since the time was too short, so, the social conditions were still not ripe when the reform began. 3) There was an underestimation of the natural increase in prices. To fix prices for certain new commodities (such as natural resources, which did not have a price before) and to perfect the price system of certain commodities (such as land rent and the form of payment) may probably result in an increase in prices, and to readjust the price setup and to increase the income of workers and staff may also result in changes in prices. 4) Since the market environment is not good enough, that is, the mechanism regulating the relations between supply and demand is not perfect, the transparency of the market is low, the circulation system cannot entirely suit the market situation, and the market order is abnormal, the role of price reform was not brought fully into play and pricing still cannot sensitively regulate supply and demand.

In our country, there are two views of the question of whether or not the price reform has achieved the desired target. One holds that it is still very far from the desired target, and many problems have emerged. The other holds that it has basically achieved the desired target. Moreover, there are some unexpected achievements, such as having blazed a new trail of combining both readjustment and relaxation of price, but some unexpected problems have also appeared.

The Trend of This Reform in the Future

China's price reform is now at the crossroads: Whether to carry it out continuously or to stop, and whether to solve the problems by continuing the reform or to go back to the old path of rigid control. Judging from the discussions in theoretical circles and public opinion, there are two views on this question: One holds that in 1986, it is not suitable to take further actions because the economic situation is not an ideal one. The price reform should be carried out after a buyers' market appears. The other holds that since very good results have been achieved in implementing a series of measures to control the general demand over the past 6 months, the economic situation will be greatly improved in 1986. The conditions for development

at a moderate speed will be ripening day by day, which can help promote the reform. Therefore, it is necessary to seize the opportune moment to consolidate and supplement previous measures for the reform. It also holds that in the next 2 years, it is necessary to take the price reform as the center of the overall reform.

It is expected that this year, China will carry out its price reform in accordance with the policy of consolidating, digesting, and supplementing. The method will still be domination of both readjustment and relaxation and strengthening both direct and indirect control.

The trend of the reform can be summed up in two verses of an ancient Chinese poem: The river continues to flow eastwards, not being blocked by the green hills.

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CSO: 4006/837

NATIONAL POLICY AND ISSUES

SIX MEASURES PROPOSED FOR ECONOMIC READJUSTMENT

Beijing RENMIN RIBAO in Chinese 29 Oct 85 p 2

[Article: "Use Economic Levers Comprehensively, Do a Good Job in Regulation of the Economy: State Planning Commission Convenes Forum in Zhejiang To Suggest Emphasis on Six Aspects in Economic Readjustment"]

[Text] The State Planning Commission suggested at the forum on economic readjustment work recently convened in Zhejiang that, along with the reduction of the extent of mandatory planning and the expansion of the extent of directive planning and market regulation, the work of the planning departments should shift as soon as possible from placing emphasis on distributing funds and goods and directly controlling economic activities by way of administrative means as they did in the past, to placing more emphasis on readjusting the relationship between economic interests and strengthening indirect control over economic activities.

During the past few years, the State Planning Commission and the planning departments of various regions have conducted useful explorations in many aspects as to how such means of economic readjustment should be comprehensively applied. The forum held that the planning departments must keep firm control over the direction of readjustment; this is the key to doing a good job in such readjustment work today. In certain places, there have been multi-headed blind importation and blind production efforts as well as repetitive construction; in the case of enterprises (or products) whose direction of production failed to fit in with macroeconomic requirements, taxes were exempted or reduced at random and loans were also granted at random; this actually constituted "readjustment in reverse," leading to negative effects for macroeconomic control. The purpose of using economic levers comprehensively in launching our readjustment work is to maintain the continued, steady and coordinated development of our national economy and smooth progress in economic reform.

Viewed from the content of practice in the earlier stage of our economic readjustment and the state of our current economic life, the forum was of the opinion that emphasis of our current economic readjsutment should be placed on six aspects: First, we must readjust society's overall demand and supply in order to achieve a better balance. Second, we must readjust our investment in fixed assets, injection of funds for consumption, and use of foreign exchange

so as to maintain a harmonious proportion between accumulation and consumption. Third, we must readjust the structure and the regional distribution of industries so as to gradually make them rational. Fourth, we must readjust the production, circulation and consumption of our concrete products in order to maintain the normal progress of social reproduction. Fifth, we must readjust the production of our export products and our non-trade foreign exchange revenue so as to encourage more export and greater efforts for foreign exchange earnings. And sixth, we must readjust the earnings of the state, the collectives and individuals and do our best to realize rational distribution.

The forum pointed out that to use economic levers comprehensively and strengthen indirect control are new tasks that involve many aspects, are important as policy, and are likewise very difficult to carry out. Moreover, our current system for economic readjustment remains to be gradually perfected, and this we can achieve only by learning while working things out during our reform operations. This requires our economic workers to proceed from the actual problems found in their own respective localities and units so as to strengthen their investigation and study, formulate practical and effective measures for economic readjustment, thereby pushing our planning work, or even our overall economic work, toward a new level.

9255
CSO: 4006/224

NATIONAL POLICY AND ISSUES

BRIEFS

EXPERTS MEET TO PERFECT LAWS--Beijing, March 10 (XINHUA)--A group of 20 economic and legal experts has begun drafting a program to perfect the country's economic legal system. The group held its first meeting here last week, an official of the state council's economic legislation research center said today. The Communist Party Central Committee has set a target of perfecting Chinese economic laws by the end of the decade. For the first time, the official said, the status and role of economic laws and regulations in the socialist legal system would be defined in the program. The drafting group has agreed that the program should mainly cover the following aspects: role and basic principles of economic laws, scope of application, economic rights and obligation, economic supervision and sino-foreign economic activities. The official said the formulation of the program would play a major role in further improving the country's socialist legal system. More than 340 economic laws and regulations have been passed over the past six years. [Text] [Beijing XINHUA in English 1321 GMT 10 May 86 OW]

/9716
CSO: 4020/239

PROVINCIAL AFFAIRS

REPORT ON GUANGXI PEOPLE'S CONGRESS MEETING

HK060654 Nanning Guangxi Regional Service in Mandarin 1100 GMT 2 Mar 86

[Excerpts] The Sixth Regional People's Congress Standing Committee concluded its 19th session in Nanning this afternoon. At the 5-day session, the participants discussed the three reports of the regional people's government. Yesterday's session adopted decisions on convening the fourth meeting of the Sixth Regional People's Congress, on extricating the poor from their poverty-stricken state, on strengthening sports work, and on matters concerning appointments and dismissals.

Yesterday's session was presided over by Zhong Feng, vice chairman of the regional People's Congress Standing Committee. He also made a speech, in which he mentioned about the need to extricate the poor areas from their poverty-stricken state.

He said: The most important task presently is that we actively help those areas which still have insufficient food to eat or clothes to wear. We should strengthen our leadership and aim to help people living in the poor areas increase their income. We should not take a relaxed attitude, but rather perfect policies which will improve their lot.

The session decided to appoint (Qiu Guohua) as director of the regional office for overseas Chinese affairs, and to dismiss (Liang Shichen) from the office of director of the regional office for overseas Chinese affairs.

The 19th session of the Sixth Regional People's Congress Standing Committee decided: The convention of the fourth meeting of the Sixth Regional People's Congress will be held on 25 April 1986 at Nanning. The main agenda will be to listen to the report on the draft of the 7th 5-Year Plan as it concerns national economy and social development; to examine and approve the region's 7th 5-Year Plan; to examine and approve the region's 1986 plans for the national economy and social development; to examine and approve the report on the region's success in implementing the 1985 budget, as well as the 1986 budget.

On extricating the poor areas from their poverty-stricken state, the session adopted the following decision: The 19th session of the Sixth Regional People's Congress Standing Committee studied the important speeches made by

Comrade Hu Yaobang, secretary general of the CPC Central Committee, when inspecting the mountainous areas of Guizhou, Yunnan, and Guangxi in 1986. The participants unanimously endorsed the speeches.

The session also listened to and discussed the report on the region's work over the year concerning extricating the poor areas from their poverty-stricken state. The report was by (Liang Guoluo), deputy secretary general of the regional people's government, on behalf of the regional people's government.

The session concluded that the work of putting an end to the poverty-stricken state in the poor areas was of great importance economically and politically. Over the years, the region's government at various levels has done a lot in terms of developing production and improving the livelihood of the poor areas. They have had great success. But the economic development of the areas is still very slow and the people's living standard is still very low. Therefore, all this has become a most urgent task. Governments at all levels must attach great importance to this work.

[The session also listened to and discussed the report on the region's situation concerning sports work, which was delivered by (Zhang Shuwu), chairman of the regional sports committee, on behalf of the regional people's government.]

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CSO: 4006/828

PROVINCIAL AFFAIRS

SICHUAN HOLDS ECONOMIC, TECHNOLOGICAL COOPERATION CONFERENCE

HK130808 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Text] The provincial conference on economic and technological cooperation work pointed out that it is necessary to persist in reform, to regard the raising of economic results as the focal point, to develop more deep going and extensive economic relations and cooperation among enterprises and regions, and tc strive to fulfill the province's plans for national economy and social development.

This conference was held in Chengdu and lasted 8 days. The representatives attending the conference studied the spirit of the national conference on economic and technological cooperation work, summed up last year's work experience and discussed the tasks of this year's work. It is essential to grasp several aspects of the main work this year:

1. It is necessary to vigorously develop economic relations among regions, between urban and rural areas, between defense industry enterprises and enterprises for the production of products for civilian use, between scientific research units and production units, and between production enterprises and circulation enterprises. By developing economic relations and cooperation, we must gradually set up large and small economic combines.

2. It is essential to shift the focal point of economic relations and cooperation to technological cooperation, to speed up the technological progress of local medium and small enterprises and township and town enterprises and to promote the all-round development of agriculture, forestry, animal husbandry, sideline production, and fisheries.

3. It is imperative to do a good job in cooperation in supplying materials to commercial and trading enterprises to meet the needs of production and construction so as to promote the steady increase in production.

Vice Governor Gu Jinchi spoke at the conclusion of the conference.

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CSO: 4006/828

PROVINCIAL AFFAIRS

ZHEJIANG'S URBAN, RURAL MARKETS PROSPER UNDER REFORM

Hangzhou ZHEJIANG RIBAO in Chinese 1 Oct 85 p 1

[Article: "Reform of Economic Structure Promotes Development of Commodity Economy: Urban and Rural Markets in Zhejiang Exhibit Scene of Prosperity"]

[Text] Because of our adherence to the principles of reform, opening up to the outside, and microeconomic stimulation, urban and rural markets in Zhejiang have become more and more prosperous and active. From January to August this year, retail sales of the province's social commodities increased by 30.5 percent over the corresponding period last year, for the largest such margin of increase in our history.

The deepening reform of our economic structure has promoted the development of industrial and agricultural production; commodity circulation volume has further expanded; and the standard of living has continued to improve. Since the beginning of this year, sales of food, clothing and daily amenity commodities in our state-run commercial enterprises increased by a large margin. According to statistics up to the end of August, more than 33 million washing machines were sold, a 1.4-fold increase over the corresponding period last year; more than 27,000 refrigerators were sold, a 4.5-fold increase; more than 150,000 audio cassette recorders, a 1.3-fold increase; 239,000 television sets were sold, 54,000 of which were color sets, increases of 100 percent and 21percent, respectively. respectively. Pure cotton cloth, mixed cotton cloth, soap, cleaning powder, bicycles, and the like, also enjoyed varying degrees of growth. Many medium and superior quality commodities, especially household electric appliances, have already entered ordinary households in the cities as well as the countryside.

The reform of our circulation system has promoted the rapid development of collective and individual commercial enterprises. According to available statistics, of the province's commodity retail sales from January through August, the proportions of collective and individual commercial enterprises increased by 3 and 4.2 percent respectively over the corresponding period of the previous year. Because of an increase in the number of operational sales outlets and an expansion commodity circulation, there has been a conspicuous change in which the masses experienced "difficulties in selling" and "difficulties in buying." After the purchase of pigs and vegetables was completely deregulated, the market has become even more active.

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CSO: 4006/244

PROVINCIAL AFFAIRS

BRIEFS

SHANXI SCHEDULES SESSION--The 17th meeting of the Sixth Provincial People's Congress Standing Committee concluded in Taiyuan on 8 March. The meeting decided that the fourth session of the Sixth Provincial People's Congress will be convened in Taiyuan on 7 May. The meeting held: Economic crime is still rampant in the province and many criminals have not been punished by the law. Generally speaking, problems of lack of strictness in enforcing the law and failure to crack down effectively still exist. This state of affairs must be vigorously reversed. We must unswervingly carry out the struggle against serious economic crime. [Excerpts] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 8 Mar 86] /9599

CSO: 4006/828

ECONOMIC PLANNING

WEN WEI PO ON ASPECTS OF FEASIBILITY OF SANXIA SCHEME

HK130801 Hong Kong WEN WEI PO in Chinese 9 Mar 86 p 3

[Article: "Corporation Concerned Clarifies Misunderstandings in Dispute over Pros and Cons of Sanxia Scheme" -- passage within slantlines published in boldface]

[Text] Editor's note: Last year this newspaper published excerpts of the CPPCC National Committee's investigative report (called the "report" hereafter for short, it was published in the Window on China Page on 23 December) on the question of building dams at Sanxia on the Chang Jiang. Not long ago, the consultancy group of the China Sanxia project development corporation (preparatory) compiled a statement of views (called the "statement" hereafter for short) and sent it to us. Excerpts: [end editor's note]

The "statement" did not express its views on the "basic conclusions" of the "report" on the unfeasibility of starting the Sanxia scheme in the near future. However, it pointed out that some arguments in the "report" do not quite conform to objective reality and are apt to cause serious misunderstandings and confusion of understanding."

/1. The question of investment/ The "statement" held: The "report" calculations put the per-unit kilowatt investment in the Sanxia scheme at more than 4,000 and 2,000 yuan respectively. However, since the compensation figures for the flooded land were obtained from the reports of local cadres alone, without the verification of the authorities concerned, it is inadvisable to take them as a basis. According to the usual practice, the investment in the building of transformer substations for the transmission of power to other areas should not be included. There are indeed some problems concerning the price rises which were routinely listed as "unforeseeable expenses." However, the state has not instituted a system of price indexing, nor has it made any stipulations to that effect. This is a universal problem in capital construction projects throughout the country, not characteristic of the Sanxia scheme alone. According to state regulations, interest should not be included in the scale of investment either.

The "statement" held: The loss incurred by temporarily storing an extra amount of flood water in the Sanxia project is calculated to prevent a bigger loss in the lower reaches. In the event of the worst flood for century, the existence of dams at Sanxia necessitates the temporary removal

of 90,000-odd people and the flooding of 50,000-odd mu of land; failure to build the dams, however, necessitates the temporary removal of 1.05 million people in the lower reaches of the river and the flooding of 1.6 million mu of land, which constitutes a much bigger loss.

/2. The flood-revention role of the Sanxia scheme/ The "report" held that the Sanxia scheme will not play much role in the middle and lower reaches of the Chang Jiang. The "statement" pointed out, however, that river flooding is actually the main source of floods in the middle and lower reaches of the Chang Jiang. In the high-water seasons of catastrophic floods this century, some 60-80 percent of the flood water came from Yichang. The river floods in 1860 and 1870 brought grievous losses to Hunan and Hubei. The Jing Jiang dam could not cope with a flood of more than 80,000 cubic meters. This kind of catastrophic flood has occurred 13 times in the past 800 years. For this reason, the construction of the Sanxia project is not without its significance.

The "statement" also pointed out: According to the original design, even plan No. 180 for the Sanxia scheme, which is calculated to store water at a depth of no more than 180 meters, will not aggravate flood disasters in the upper reaches. As for the idea of building reservoirs on tributaries in the storm regions and flood sources, we have built 80 reservoirs since the founding of the PRC and the construction of a few dozen more is under way. However, because of the large number of tributaries in the vast Chang Jiang basin, these reservoirs fail to solve our problem once and for all.

/3. The benefits of electricity production/ The "statement" held: Compared with the 20 hydroelectric power stations built on the tributaries of the Chang Jiang, the Sanxia scheme involves less earth, stone, and cement work and the evacuation of fewer people in terms of each kilowatt of electricity generated. Although it takes 2-3 years longer for the power stations at Sanxia to generate electricity than for other power stations of a similar size, their output rate is highly superior to that of other power stations because they have much greater staying power.

Moreover, building power stations at Sanxia does not preclude the construction of other power stations. According to our plan, it will be necessary to build power stations both at Sanxia and in other places in order to meet needs in the next century.

/4. The question of silting up/ The "statement" pointed out: The silt carried by the Chang Jiang waters did not show an increase from the mid-fifties to the mid-seventies. The silt in the past few years has been greater than the average over the years, but this does not prove that the silt carried by the waters of the Chang Jiang is on the increase. The reservoirs at Sanxia are of the river type. During the high-water seasons, it will be easier for them to discharge silt than for reservoirs of the lake type.

In the Sanxia scheme, we have considered taking appropriate, comprehensive measures to solve the problem of the waterway silting up at the backwater sections, where the discharge of water and silt slows down unfavorably.

/5. The question of shipping/ The "report" held that the Sanxia scheme has curtailed the freight volume of the Chang Jiang. The "statement" pointed out, however, that, after the completion of the reservoirs at Sanxia, due to the difference in the water levels, the dangerous shoals will be largely or basically flooded by backwaters. For this reason, the freight volume of the Chang Jiang will not be curtailed. An analysis of the achievements in scientific research shows that by rationally selecting water levels with different characteristics we can prevent Chongqing port and the Jialing Jiang from being choked with silt.

The "statement" pointed out: Following an inspection tour abroad by the experts concerned, there is no longer any dispute over the feasibility of using large vertical ship lifts. Other experiments and studies are being conducted to determine the effect on shipping occasioned by an unsteady flow of water into the power stations, the silting up of waterways, and the tangential movement of the riverbed at the lower reaches.

/6. The question of removing people/ The "statement" pointed out: The State Council has entrusted the preparatory group of Sanxia Province with organizing forces to make plans and experiments. Correct conclusions can be drawn only after a great deal of meticulous work has been carried out.

/7. The question of the safety of the reservoirs/ Quoting the conclusions of a symposium on the geological structure of Sanxia, the "statement" pointed out: The laws governing the collapse of and landslides at the embankments of reservoirs have been basically made clear, but the possibility of a collapse or a landslide and their likely development after the storage of water do not hamper the construction of the Sanxia project. With the expansion of water areas and the raising of water levels after the completion of the reservoirs, the question of water transport being hampered by rock collapses or landslides will be alleviated to a larger extent than under normal conditions. The "report" held that the landslide at Xintan last year was caused by a rise in the water level after the Gezhou dam began storing water. The "statement" pointed out that this did not conform to the facts. In truth, the landslide at Xintan was first caused by a landslide in the upper section, bringing about a landslide in the lower section.

The "statement" pointed out: Studies of the cause of earthquakes are still in the exploratory stage. No final conclusions have yet been reached on this issue at home or abroad. There is no precedent in the world for an earthquake caused by a reservoir bringing about the collapse of a big dam. Our expert geological team holds that the question of causing earthquakes does not play a decisive role in the decision to build dams at Sanxia.

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CSO: 4006/837

ECONOMIC PLANNING

GUIZHOU INSTRUCTIONS ON WORK IN POOR AREAS

HK080355 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 7 Mar 86

[Excerpts] The provincial CPC Committee and government recently issued instructions on improving work in poor areas. The instructions called on the party committees and government at all levels to fully understand the importance and urgency of improving work in these areas, strengthen leadership, summon up resolve and effort, and regard eliminating poverty and enriching the people in these areas as a major affair. The great majority of the masses in these areas should increase their real income each year.

The instructions said: Proceeding from the existing economic foundation in the poor areas of Guizhou, our main goals of endeavor are, after about 5 years of effort, to make a start in exploiting the main resources and taking advantage of the natural strong points of these areas, to further increase the net incomes of the peasants and residents, and to basically solve the food and clothing problem there. In addition some households there should get rich ahead of others. On this basis, we should continue to work hard to improve the production conditions, raise production capacity, and develop commodity economy. By the end of the century the rural production structure of the province's poor areas should be rational and their economic level should approach the province's average level.

The guiding idea for supporting these areas is to improve their capacity for self-reliance. It is necessary to base policies and measures on the reality of these areas and act in light of local conditions.

We should set up vocational and technical schools in a planned way or else organize vocational classes in ordinary secondary schools. Colleges and universities should enrol more students from poor counties.

We should encourage enterprises to promote economic and technical cooperation or joint ventures with poor areas. We should give these areas favored treatment in loans, taxes, and post-tax profit retention.

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CSO: 4006/837

ECONOMIC PLANNING

GUIZHOU LEADER SPEAKS ON ECONOMIC REFORM ISSUES

HK090533 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpt] The provincial economic work conference held a full session on 8 March, at which Provincial Economics Commission Director (Yi Yunian) delivered a speech entitled "Persevere in reform, strengthen management, and speed up economic development in Guizhou."

He said: Guizhou's economy developed to a certain extent during the sixth 5-year plan, but not much progress was made in comparison with the country as a whole, and we have not narrowed the gap between ourselves and the others at all. In order to achieve the grand goal of doubling, narrow the gap between Guizhou and the national average, and transform Guizhou's economic backwardness as soon as possible, we must speed things up and develop our economy at a rate slightly higher than the national average.

As commissioned by the provincial government, (Yi Yunian) outlined the following main arrangements for work this year:

1. Continue to promote reform of the economic structure centered on invigorating the enterprises, especially the large and medium enterprises, and enable more of these enterprises to develop.

2. Do a good job in organizing this year's industrial and agricultural production and ensure that the goals of endeavor for the year are accomplished.

3. Improve enterprise management and enhance enterprise quality.

4. Carry out technological transformation with the focus on key points, and spur technological progress.

5. Strengthen quality control and improve product quality..

6. Seriously reduce energy and input consumption.

7. Continue to reform the circulation setup, and focus on promoting regulation by market mechanism.

8. Step up ideological and political work and improve the quality of the work force.

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CSO: 4006/838

ECONOMIC PLANNING

HEBEI PEOPLE'S CONGRESS MEETING CONCLUDES 28 FEB

SK111512 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 28 Feb 86

[Text] The 18th Standing Committee meeting of the 6th provincial People's Congress concluded in Shijiazhuang on the afternoon of 28 February after a 5-day session. The meeting decided to convene the Fourth Session of the Sixth Hebei Provincial People's Congress in Shijiazhuang on 25 April, and suggested that the examination and approval of the provincial Seventh 5-Year Plan be listed as a main agenda item of the forthcoming congress session.

Sun Guozhi, chairman of the provincial People's Congress Standing Committee, presided over the meeting. Present at the meeting were Wu Qingheng, Yue Zongtai, Pan Chengxiao, Liu Ying, Zhang Kerang, Wang Yu, Han Qimin, Du Benjie, and Wang Youhui, vice chairmen of the provincial People's Congress Standing Committee. Wang Zuwu, vice governor of the province; (Wang Yugong), vice president of the provincial Higher People's Court; (Liu Zongxin), deputy chief procurator of the provincial People's Procuratorate; and responsible persons of relevant departments of the provincial People's Government attended the meeting as observers.

At the meeting held on 28 February, the members also adopted the regulation of Hebei Province on all-people voluntary tree planting and some personnel changes. When discussing the report made by the provincial People's Government on the implementation of the PRC law on medicine control, the members called on people's governments at all levels to continually organize forces to conduct a comprehensive and penetrating supervision and investigation of the production, handling, and utilization of medicines, and give play to the role of the departments in charge of the medicine administration, medicine inspection, and industrial and commercial administration. Those who violate the law should be punished according to the law on medicine management and other relevant regulations.

While discussing the report made by the provincial People's Government on dealing strict blows to criminal offenders and on the current social order and public security, the members maintained that our province has already won a big victory in the campaign of dealing strict blows to serious criminal offences in the past 2 years, and has basically removed the confusion in social order and public security. Now the entire social order is tending toward stability, and large numbers of the masses have strengthened their sense of security. The members expressed their satisfaction at such a situation.

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CSO: 4006/838

ECONOMIC PLANNING

HEILONGJIANG PEOPLE'S CONGRESS STANDING COMMITTEE MEETS

SK120419 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 10 Mar 86

[Text] The 20th Standing Committee meeting of the 6th Heilongjiang Provincial People's Congress was convened in Harbin on 10 March. The items on the agenda of the meeting were to examine and discuss the draft regulations on the 9-year compulsory education, the draft regulations on the management of the publicly-owned urban real estate, and the draft report on the outline of the national economic and social development during the Seventh 5-Year Plan period delivered by the provincial government; to examine and discuss the report on the law and discipline inspection work delivered by the provincial procuratorate, and to work out relevant resolutions; to examine and discuss the draft resolutions on convening the fourth session of the sixth provincial People's Congress, and the suggestions on establishing the committees made by the provincial People's Congress Standing Committee; and to adopt items of cadres appointments and removals.

Li Jianbai, chairman of the provincial People's Congress Standing Committee, presided over today's meeting. Present at the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Chen Yuanzhi, Lu Guang, Wei Zhimin, Wang Jinling, Liu Huixian, Wang Pili, Wang Zhaozhi, Wang Jun, Zhao Zhenhua, and Zhang Ruoxian. Attending the meeting as observers were Liu Zhongli, vice governor of the provincial government; and Zhang Li, president of the provincial Higher People's Court.

The meeting listened to the explanations of the draft regulations on the management of the publicly-owned urban real estate made by (Zhou Shuping), vice chairman of the provincial Construction Committee; the report on the law and discipline inspection work delivered by (Lu Wenqi), deputy chief procurator of the provincial People's Procuratorate; and the explanations of the draft resolutions on convening the fourth session of the sixth provincial People's Congress and the explanations of the suggestions of the provincial People's Congress Standing Committee on establishing committees made by Zhang Ruoxian, vice chairman of the provincial People's Congress Standing Committee.

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CSO: 4006/838

ECONOMIC PLANNING

HENAN GOVERNOR RESEARCHES SOUTHWESTERN HENAN DEVELOPMENT

HK110921 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpts] From 28 February to 7 March Provincial Governor He Zhukang led responsible comrades of 12 provincial departments and commissions, including the provincial economic commission, the provincial planning commission, the provincial finance department, the provincial agriculture and animal husbandry department, the provincial water conservancy department, and the provincial communications department, to conduct research and investigation in southwestern Henan. They discussed with local cadres the important matter of speeding up the development of southwestern Henan and helping people there to get rid of poverty and become rich.

Comrade He Zhukang and others visited three villages which set good examples of getting rid of poverty and becoming rich, namely, (Qishuyuen) village in Nanzhao County, (Datongmiao) village in Zhenping County, and (Xiaoxiguan) village in Dengxian County.

Comrade He Zhukang said that the experiences of these villages are good and typical. It is necessary to give much publicity to and promote the experiences. As seen from these typical examples, the masses have a vast reservoir of enthusiasm and creativity. Provided that our policies are correct, our leaders are competent, and our measures are effective, poor areas can solve the problem of having enough to eat and wear and get rid of initial poverty in 3 to 5 years.

He told the leading comrades at prefectural and county levels that the main task of county level leaders is to help peasants to get rid of poverty and become rich as soon as possible. Party and government should grasp the development of the commodity economy on the one hand and solve the problem of providing the masses with enough to eat and wear on the other.

Regarding how to speed up the development and construction of Nanyang Prefecture, Comrade He Zhukang repeatedly stressed that we must emancipate our minds; boldly blaze new trails; vigorously develop lateral economic links; actively bring in funds, talented people, technology, and equipment from other areas; and make use of strength from outside to speed up the development of our province. We must persist in reform, and vigorously develop socialist commodity production. We must continue to earnestly propagate the party's policies and principles to relieve the masses of

unnecessary worries. We must attach importance to intellectual investment and the exploitation of talented people. In the long run, the key to upgrading the backward people is to develop education. We must develop vocational education and run vocational classes.

In discussions with cadres at prefectural and county levels, Comrade He Zhukang repeatedly stressed that it is necessary to pay serious attention to policies and to properly handle several relationships under the new situation, such as the relationship between straightening out party style, conducting financial and tax examination, and the policy of carrying out reform, opening up to the outside world, and enlivening the domestic economy; the relationship between implementing unified policies and working creatively; the relationship between becoming rich sooner and common prosperity; and the distinction between reasonable burdens and arbitrary charges.

He said that straightening out party style does not contradict with carrying out reform, opening up to the outside world, and enlivening the domestic economy. Only by straightening out party style, is it possible to ensure the smooth progress of carrying out reform and opening up to the outside world. Provided that we always adhere to the accuracy of policies, correctly handle the above relationships, and work in a down-to-earth manner, it is possible for us to consolidate and develop the excellent situation.

Today's HENAN RIBAO also carried this report on its front page.

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CSO: 4006/838

ECONOMIC PLANNING

JIANGXI GOVERNOR ATTENDS PROVINCIAL MEETING ON STEEL

OW040819 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 28 Feb 86

[Excerpts] On 26 and 27 February, the Jiangxi Provincial People's Government held a meeting in Xinyu City on readjusting the overall arrangement, structural reform, and solving various problems in the iron and steel industry in this province. The participants unanimously held that, in order to promote the production of iron and steel, it is necessary to make reasonable work arrangements, solve all problems, and carry out structural reform.

Ni Xiance, deputy secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi Province; Jiang Zhuping, member of the Standing Committee of the Provincial CPC Committee and vice governor of Jiangxi Province; Vice Governor Gian Jiaming; responsible comrades of concerned provincial departments; as well as experts and scholars, totalling more than 50 people, attended the discussion meeting.

At the meeting, the participants thoroughly discussed how to solve various problems, strengthen coordination and give full play to the advantageous situation in developing the iron and steel industry, and reached a unanimous conclusion.

1. It is necessary to see the problems from a historical viewpoint and fully affirm the achievements of this province in developing the iron and steel industry.

2. During the Seventh 5-Year Plan, it is necessary to lay stress on promoting technological progress in developing the iron and steel industry and concentrate on tapping potential and raising efficiency.

3. It is necessary to make a proper overall arrangement for the development of the iron and steel industry in this province and do a good job in overall planning.

4. It is necessary to carry out reform and promote coordination in production relations.

5. It is necessary to attach importance to unity, implement reform, and increase output of both iron and steel.

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CSO: 4006/837

ECONOMIC PLANNING

JIANGXI GOVERNOR DISCUSSES OLD LIBERATED AREAS

OW130637 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 11 Mar 86

[Text] The Economic and Technical Cooperation Office of the provincial commission on construction of old liberated areas called a meeting in Ganzhou City today to discuss the economic development of old liberated areas of Ganzhou and Jian and their lateral cooperation with other areas. Attending the meeting were responsible comrades from Guangdong Province and Guangzhou, Shaoguan, Shenzhen, and Meixian Cities; Nanchang, Xinyu, and Jingdezhen Cities; and all departments, commissions, offices, and bureaus directly under the province; as well as representatives from some 20 colleges, universities, and research institutes, 15 export and import companies, and 39 plants, mines, and enterprises.

Governor Ni Xiance and Vice Governor Jiang, Zhuping attended and spoke at the meeting.

In his speech, Comrade Ni Xiance discussed four topics.

One, the current economic situation in Jiangxi: The general guiding ideology for Jiangxi's economic work this year is to continue to advance with greater courage in the two fields and slightly overfulfill the state plan. In the first 2 months of this year, total industrial and agricultural output value increased by 10.8 percent over the same period last year, topping other provinces in the country, while financial revenues increased by 17 percent. If the growth rate is maintained at the current level, we will be able to fulfill this year's strategic goal.

Two, study the characteristics and analyze the causes of economic backwardness in formulating Jiangxi's development policy: Underdeveloped rural economy and weak foundations of diversified economy and village and town enterprises are the primary causes of Jiangxi's backwardness. To invigorate the rural economy, it is necessary to take bolder steps to open up the province and enliven its economy.

Three, fully understand the strategic importance of the economy of old liberated areas in invigorating the economy of the province as a whole: The old liberated areas constitute two-thirds of the area and more than one-third of the population of Jiangxi. Their economic situation is of great importance for invigorating the economy of the entire province. There are rich mineral

and other natural resources in the old liberated areas, which are also strategically located. If we optimally utilize these advantages, we will be able to develop Jiangxi's economy at an even faster pace.

Four, principles and measures for accelerating the economic development of old liberated areas: The guiding principle for promoting economic development in old liberated areas is to give priority to developing productive forces. In order to vigorously develop productive forces, it is necessary to build unique production bases in these areas on the basis of the principle of mutual benefit. It is also necessary to provide preferential treatment in order to attract investment, technology, and talented people and carry out economic cooperation with corresponding departments of other localities.

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CSO: 4006/838

ECONOMIC PLANNING

LIAONING OUTLINES TECHNICAL RENOVATION ARRANGEMENTS

SK280115 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 26 Feb 86

[Text] The provincial planning conference that is in progress has stressed that conducting technical renovations with high standards and a starting point among the existing enterprises and rebuilding or expanding them constitutes a fundamental way to accelerate the pace of developing the economy in our province during the implementation period of the Seventh 5-Year Plan.

During the period, our province is one of the regions that has been designed by the state as a center for conducting technical renovations. The investment assigned to our province for technical renovations will be 18.7 billion yuan. It will be chiefly used to conduct technical renovations in the energy resources, raw materials, machine-building, and electronics industries as well as the light and textile industries. It will also be assigned to enterprises that are of vital importance to the whole situation of the national economy and that can play a model and leading role on their own front, and those that can assume the tasks of promoting exports and earning foreign exchange after conducting technical renovations. The province has decided to concentrate on encouraging 226 backbone enterprises to do a good job in conducting technical renovations in order to enable their techniques, technology, and management to reach advanced standards domestically and abroad. It has also been decided to concentrate on reforming or developing 503 major industrial products in order to strive to enable them to reach the standards scored at the end of 1970's and at the beginning of 1980's. On this basis, efforts should be made to encourage various industries and trades to change their technical foundations and managerial standards into modern ones in order to enable our old industrial base to radiate its production vigor.

In order to fulfill the target, the provincial planning conference has put forward the following three changes that must be completely carried out by the province in technical renovations:

1. Efforts should be made to truly shift endeavors from increasing the product variety and production capacity to ensuring the production of major products and upgrading technical standards, and to give priority to conducting technical renovations among the key industries, enterprises, and products.

2. Efforts should be made to change the principle of chiefly relying on state loans and material supplies distributed under the unified plan to chiefly relying on self-generated funds and self-collected materials.

3. Efforts should be made to change the practice of concentrating on introducing outside advanced technology to integrating technical imports with technical digestion and assimilation, and to place the work emphasis on technical digestion. Effective in 1986, a good job should be done in making arrangements for technical digestion and assimilation when arranging technical imports in order to promote technical progress among the enterprises.

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ECONOMIC PLANNING

SHANDONG REPORTER DISCUSSES ASPECTS OF ECONOMIC WORK

SK111548 Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Mar 86

[Text] According to information obtained by our station reporter at the provincial economic work conference, our province has focused this year's industrial, communications, financial, and trade work on persisting in reform, enlivening enterprises, laying a good foundation, strengthening management, paying attention to development, increasing reserve strength, improving efficiency, and creating more foreign exchange in order to ensure that the two civilizations advance simultaneously. The major targets are as follows: With regard to the industrial output growth rate, we should ensure a 12-percent increase and strive for a 15-percent increase. We should further create good economic results and strive to increase profits, taxes, and revenue at the same pace. Notable achievements must be scored in upgrading product quality and reducing consumption. We must make new progress in technological transformation and ensure that 80 percent of the technological transformation items are put into production. We should expand exports to increase foreign exchange and strive for a more than 15-percent increase in the value of commodities procured for export. Efforts should be made to enliven the circulation field and make good arrangements for market supplies. The province should register a 15-percent increase in the volume of the retail sales of commodities. All localities should speed up the construction of transport, postal, telecommunications, and communications projects.

Efforts should be made to strengthen intellectuals development. Some 5,600 factory head and managers of enterprises run by the units at or above the county level should be organized to sit for the state unified examinations. Achievements must be made in training factory heads, secretaries of the factory party committees, general engineers, general accountants, and general economists. This was what Ma Shizhong, vice governor of the provincial government, had set forth at the conference on 9 March.

Ma Shizhong pointed out: In order to fulfill these targets, we must further correct the ideology for guiding the economic work and conscientiously achieve changes in five fields. We should change the methods of economic management from paying particular attention to the microeconomic activities to strengthening macroeconomic control and improving macroeconomic management. With regard to developing production and increasing reserve strength, the enterprises should change the methods from grasping production items and

production capacity to paying attention to strengthening management and upgrading their quality. With regard to carrying out reform to enliven the enterprises, we should guide the enterprises to tap their potentials by turning their attention from the outside to the inside. With regard to upgrading the economic results, the enterprises should change the methods from relying on increasing production to relying on upgrading product quality and reducing consumption. With regard to the methods for guiding the work, we should change the methods from grasping the material civilization only to persistently grasping the two civilizations. Simultaneously, the industrial, communications, financial, and trade departments across the province should carry out the activities of promoting the advanced emerging in laying a good foundation, upgrading product quality, making progress, strengthening management, and comprehensively upgrading the quality of the enterprises.

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ECONOMIC PLANNING

SHAANXI PEOPLE'S CONGRESS SESSION OPENS 7 MAR

HK080222 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 7 Mar 86

[Excerpts] The fourth session of the sixth Shaanxi Provincial People's Congress opened in the People's Building in Xian on 7 March. The 640 deputies from all parts of the province and all fronts entered the building at 0800. Executive Chairman Yan Kelun declared the session open at 0900. Other executive chairmen present were Zhou Yaguang, Li Lianbi, Deng Guozhong, Chen Ming, Hou Zonglian, Yuan Zhengting, Yu Ming, Xiong Yingdong, Liu Lizhen, He Chenghua, and Wei Minghai. Also present were leaders of the party, government, army, and CPPCC in the province including Bai Jinian, Zhang Ze, Li Qingwei, and Tan Weixu.

Governor Li Qingwei delivered a report on the execution of the Sixth 5-Year Plan for national economic and social development and the draft of the Seventh 5-Year Plan entitled "Persevere in reform, advance from victory to victory, and strive to accomplish the province's Seventh 5-Year Plan." The report was in three parts: 1) The Sixth 5-Year Plan has been victoriously fulfilled; 2) on the strategic goals and guiding ideas for the Seventh 5-Year Plan; 3) step up the building of socialist spiritual civilization while doing a good job in socialist material civilization.

Li Qingwei said in his report: The Seventh 5-Year Plan is an important period in which we will lay the foundation for Shaanxi's economic invigoration in the 1990's. The draft Seventh 5-Year Plan being submitted to this session states that the strategic goals for national economic and social development in the province during the period of the plan are: Total industrial and agricultural output value should reach 37.5 billion yuan by 1990, more than double the 1980 figure; we should strive to achieve doubling by 1988, 2 years ahead of schedule; and we must work for further development in all undertakings and for further improvement in people's living standards.

The guiding idea for the province's economic work during the Seventh 5-Year Plan is: Guided by the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, and in accordance with the general demand to build socialism with Chinese characteristics, put reform in the first place, readjust the pattern of the productive forces, vigorously improve work in Guangzhong region and actively support economic development in southern and northern Shaanxi; under the premise of improving economic results,

strive for a higher growth rate; further readjust the production structure and speed up the coordinated development of agriculture, light industry, and tertiary industry; bring into full play and fully tap the potentials of existing enterprises, and speed up the pace of modification and expansion of enterprises; vigorously develop production of civilian goods by the national defense industry; work hard to develop tourism and turn it into a major pillar in invigorating Shaanxi's economy; and, while promoting the building of material civilization, vigorously step up the building of socialist spiritual civilization.

Li Qingwei said: The draft Seventh 5-Year Plan for the province is a plan for simultaneous building of socialist material and spiritual civilization. The government at all levels and all departments must step up education in the situation, tasks, and policies, in the four basic principles, in patriotism and communist ideals, and in socialist morality and discipline. The cultural and publishing departments must combine social benefit with economic results, putting social benefit first. It is necessary to resolutely straighten out unhealthy trends and crack down hard on speculation, swindling, smuggling and peddling contraband, bribery and corruption, and other serious economic crimes. We must popularize common knowledge of the law and strengthen people' concept of the legal system.

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ECONOMIC PLANNING

BRIEFS

PRESIDIUM HOLDS MEETING--The Presidium of the Fifth Shanghai Municipal CPC Congress held its third and fourth meetings yesterday morning and evening respectively. Comrades Yang Di and Jiang Zemin presided over the two meetings separately. The meetings heard reports on how delegates had discussed the draft resolution on the Shanghai Municipal CPC Committee's report, the draft resolution on proposals regarding the seventh 5-year plan, and the draft resolution on the Shanghai Municipal Discipline Inspection Commission's report. The meetings deliberated and approved these draft resolutions and the formal lists of candidate members and alternate members of the Shanghai Municipal CPC Committee, and members of the Shanghai Municipal Advisory Commission and the Shanghai Municipal Discipline Inspection Commission. The meetings also heard reports on how the delegates had discussed the draft method of election for this congress and how they had selected ballot scrutineers. The meetings decided on the chief ballot scrutineer. [Text] [Shanghai City Service in Mandarin 0100 GMT 6 Mar 86 OW]

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AGGREGATE ECONOMIC DATA

PRC NEWS BRIEFS ON HIGHWAYS, COAL, POWER PLANTS

OW151543 Beijing XINHUA in English 1447 GMT 15 Mar 86

[Text] Beijing, March 15 (XINHUA)--Today's economic news in brief:

Highways

China will add 80,000 kilometers to its existing 600,000 kilometers of highways over the next five years, including some expressways.

Natural Preserves

There are 28 natural preserves on the Hainan Island. The preserves have a combined area of 86,660 hectares.

The island has more than 300,000 hectares of virgin forest, and 42 of its 4,200 plant species are rare ones protected by law.

Underground Hot Water in Bejing

Hot water reserves have been found some 1,000 meters under an area of 100 square kilometers in Beijing.

There are now 70 wells in the city, which ejects hot water at least 38 degrees centigrade.

Washed Coal Residue

China has developed a method to make it possible for the residue from coal washing to be used as fuel.

China's coal washing plants now discharge a total of five million tons of residue.

Tidal Power Plant

An experiment tidal energy electric power plant has been incorporated into the East China power grid.

The plant in coastal Jiangxia, Zhejiangjiang Province, has five generating units and is able to produce 10 million kwh a year.

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CSO: 4020/239

AGGREGATE ECONOMIC DATA

HEBEI COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK130730 Shijiazhuang HEBEI RIBAO in Chinese 25 Feb 86 p 2

["Statistical Communique" on 1985 national economic and social development of Hebei Province issued by the provincial Statistical Bureau--date not given]

[Text] In 1985, under the leadership of the provincial CPC committee and government, the people throughout the province further implemented the policy of enlivening the domestic economy and opening to the outside world, and carried out an overall economic reform, thus stimulating vigorous national economic and social development, and achieving encouraging results in promoting both material and spiritual civilizations. The total social product of the year was 73.46 billion yuan, an increase of 13.8 percent over 1984. (footnote 1) The total social product is the sum of the total output value of agriculture, industry, building trade, transportation, post and telecommunication, and commerce (including the supply and marketing of materials and equipment, and the catering trade). The national income is the sum of the net output value of the five above-mentioned material producing departments. All figures for the various output value, the national income and the total value of domestic production cited in this communique are calculated in terms of 1985 prices, and the rate of growth over the previous year is calculated on comparable prices.) Of the sum, the output value of industry and agriculture was 59.43 billion yuan, a 14.7-percent increase, and the national income was 32.94 billion yuan, a 12.1-percent increase. According to rough calculation, the total value of domestic production was 37.43 billion yuan, an increase of 11.4 percent over the previous year. (footnote 2) (The total value of domestic production is calculated in terms of the statistical standards of our country, that is, the value of the final products and labor service provided to society by material producing departments and nonmaterial producing departments (excluding offices, organizations, and other fourth-level departments), which excludes the value of the products and labor service consumed in the intermediate process.) The major targets for the national economy as stipulated in the "Sixth Five-Year Plan" were fulfilled or overfulfilled. On the basis of continued development in production, markets were thriving, revenues, and expenditures were balanced, and the income of urban and rural residents increased. Major problems in the national economic development were the outstripping of social demand over social supply, too large a scale in the investment in social fixed assets, continued shortage in the supply of energy, a failure in making market commodity

supply catch up with the increase in the people's purchasing power, and a rather large increase in retail commodity prices, in particular those of nonstaple foods.

1. The Rural Economy

In 1985 the rural areas throughout the province further readjusted their production structure, reformed the monopolized and the fixed-quota purchases of farm products, reaped the fourth good harvest in succession, and maintained a trend of vigorous development in the rural economy. The total rural product of the year reached 31.09 billion yuan, an increase of 15.1 percent over the previous year. (footnote 3) (The total rural product includes the agricultural output value of the units owned by the whole people, the collective and the individual, the output value of the industrial enterprises of towns and townships, villages, and the units below the village level, and the total output value of rural building trade, communication and transportation, commerce, and catering trade.) Of the sum, the output value of rural industry, building trade, transportation, and commerce totaled 14.63 billion yuan, a 33.2-percent increase over the previous year, and their proportion grew from 39.9 to 47.1 percent. The agricultural output value was 16.46 billion yuan, an increase of 3.3 percent over the previous year. (footnote 4) (The agricultural output value is calculated according to the new standards stipulated by the state, that is, the industry run by the units at and below the village level is included in the industrial output value, not in the agricultural output value.) If including the output value of the industry run by the units at and below the village level, the output value was 23.57 billion yuan, an increase of 14.5 percent over the previous year. In the agricultural output value, the output value of cropping was 12.12 billion yuan, a decline of 1.8 percent; that of forestry 560 million yuan, an increase of 4.6 percent; [word indistinct] animal husbandry 3.12 billion yuan, an increase of 31.1 percent; and that of fisheries 140 million yuan, an increase of 26.2 percent.

The structure of cropping was readjusted by a fairly large scale. Cotton fields were reduced by 2.949 million mu from the previous year, and the areas sown to oil-bearing crops increased by 3.432 million mu. Although crop areas declined, grain production maintained a steady growth thanks to rational readjustment of production arrangements, popularization of science, technology, and fine strains, and favorable weather conditions. Except for cotton, major cash crops registered fairly large-scale increases.

The output of major farm products is listed as follows:

	1985	Percentage Increase over 1984
Grain	19.666 million tons	5.2
Cotton	629,000 tons	-40
Oil-bearing crops which included:	869,000 tons	44.8
peanuts	580,000 tons	45.4
Beetroot	199,000 tons	59.6
Flue-cured tobacco	5,000 tons	60
Jute, yellow hemp	52,000 tons	380
Fruits	1.6 million tons	18.7

In all, 6 million mu of areas were afforested in 1985; thus, the province overfulfilled the annual afforestation plan by 50 percent. The forest coverage rate reached 13.36 percent.

Animal husbandry developed steadily. Continued increases were registered in the numbers of big animals and of pigs at the year end. Rapid increases were registered in the output of pork, beef, mutton, milk, poultry, and eggs. But the number of sheep in stock dropped.

The output of major animal by-products and numbers of livestock are listed as follows:

	1985	Percentage increase over 1984
output of:		
pork, beef, and mutton	819,000 tons	27.6
milk	73,000 tons	32.7
poultry and eggs	334,000 tons	44
numbers of:		
hogs slaughtered	10.185 million head	21.5
big animals at year end	4.465 million head	8.6
pigs at year end	14.214 million head	17.7
sheep and goats at year end	7.211 million head	- 0.6

Rapid development was made in fishery. The output of aquatic products in 1985 was 128,000 tons, an increase of 21.1 percent over the previous year. Of this, the total catch of fresh-water products was 23,000 tons, an increase of 39 percent, while that of marine products was 105,000 tons, an increase of 17.9 percent.

The equipment for agricultural production improved. By the end of 1985, the total power capacity of farm machines reached 27.13 horsepower, an increase of 9 percent over the previous year. The number of large and medium-sized tractors reached 37,000, a drop of 12 percent from the previous year. The number of small-capacity and walking tractors reached 290,000, an increase

of 25 percent over the previous year. The number of trucks reached 33,000, an increase of 17.9 percent. The figure for irrigation and drainage equipment was 14.34 million horsepower, an increase of 5.1 percent. Of this, greater increases were registered in the number of tractors and vehicles owned by the rural households. By the end of 1985, the rural households possessed 17,000 large and medium-sized tractors, 279,000 small-capacity tractors, and 25,000 vehicles. During the year, 1.104 million tons of chemical fertilizer (calculated in terms of the net amount of the chemical fertilizer applied), a drop of 1.9 percent from the previous year. The consumption of electricity in the rural areas was 4.09 billion kWh, a drop of 0.5 percent.

Through intensifying scientific research on weather forecasting, the meteorological departments had initiatively made contributions to developing production and safeguarding the people's life and property.

2. Industry

Through deeply conducting the reform of the industrial production system, in 1985, the province further vitalized the enterprises. Industrial production developed coordinatedly. The total output value of industry was 42.97 billion yuan, an increase of 19.7 percent over 1984. (footnote 5) (The industrial output value is calculated according to the new standards stipulated by the state, that is, the industry run by the units at and below the village level is included in the industrial output value, not in the agricultural output value.) If not including the output value realized by the industry run by the units at and below the village level, the total industrial output value increased by 14.9 percent over that of 1984. Of this, the output value realized by the state industrial enterprises increased by 10.7 percent, that realized by the collectively owned industrial enterprises increased by 24.3 percent, that realized by the light industrial enterprises was 15.86 billion yuan, showing an increase of 16.6 percent, and that realized by the heavy industrial enterprises reached 20 billion yuan, showing an increase of 13.4 percent.

The output of 45 of the 60 major industrial products met or topped the annual production plans, accounting for 75 percent of the total. The output of the rest 15 products, such as chemical fertilizer, insecticides, and household washing machines, failed to attain the production plans.

The economic results scored by the industry in 1985 were improved. The labor productivity of the state-run industrial enterprises that are conducting independent accounting reached 12,468 yuan, a 6.9-percent increase over the 1984 figure. The comprehensive energy consumption per 100-million-yuan output value among the key industrial enterprises reached 325,000 tons, an 1.4-percent decrease from the 1984 figure. These enterprises saved 521,000 tons of standard coal in 1985. The state-run industrial enterprises covered by the local budget throughout the province showed an 11.2-percent increase in their profits and taxes over the 1984 figure. However, these enterprises' capability in conducting self-digestion was lower than before and the gross cost of the comparable

products showed a 7-percent increase over the 1984 figure. No marked improvement was achieved in the quality of products and the enterprises that had suffered from losses incurred an increase in their deficit volume over that of 1984.

The output of major industrial products is listed as follows:

	1985	Percentage increase over 1984
Yarn	233,000 tons	7.1
Cloth	1 billion meters	1.1
Silk fabrics	32.127 million meters	33.3
Woolen goods	4.087 million meters	35.9
Cigarettes	677,000 cartons	- 9.6
Machine-made paper and paper board	467,000 tons	16.1
Chemicals	35.855 million tons	21.4
Bicycles	993,000	- 1.4
Wristwatches	740,000	13.8
Television sets	290,000	31.4
of which: color TV sets	49,000	16.5
Household washing machines	26,000	-12.6
Radio sets	279,000	-23.4
Cinema films (35mm)	98.667 million meters	24.5
Raw coal	60.076 million tons	6.7
Crude oil	10.31 million tons	1.0
Power output	26.29 billion kwh	8.9
Pig iron	2.843 million tons	9.5
Steel	2.491 million tons	8.0
Rolled steel	1.915 million tons	9.3
Cement	9.427 million tons	21.4
Plate glass	7.795 million standard cases	19.9
Sulfuric acid	145,000 tons	-67.7
Chemical fertilizer	898,000 tons	-18.7
Agricultural chemicals	8,600 tons	-20.4
Small-capacity tractors	65,000	14.4
Tractors	559	41.2
Motor vehicles	8,332	94.2

3. Investment in Fixed Assets and the Building Trade

In 1985 the province further enhanced the construction of key projects and technical innovations and updating among the enterprises, and achieved a new progress in reforming managerial systems. Both urban and rural areas invested 10.96 billion yuan in fixed assets, a 29.4-percent increase over the 1984 figure. Of these investments, the state-run units invested 6.29 billion yuan, a 26.9-percent increase over the 1984 figure; the collective-run units in both urban and rural areas, 1.64 billion yuan, a 32.2-percent increase over the 1984 figure; and the individual investments in both urban and rural areas showed a 26.5-percent increase over the 1984 figure.

Of investments in fixed assets by the state-run units, those in capital construction reached 3.48 billion yuan, a 26.9-percent increase over the 1984 figure; and those in local projects reached 3 billion yuan, a 60.8-percent increase over the 1984 figure. The province fulfilled the annual plan for investments in fixed assets calculated in term of comparable items by 97.3 percent. Of investments in capital construction, those [word indistinct] the state budget reached 1.5 billion yuan, a 6.4-percent decrease from the 1984 figure; those by domestic loans, 610 million yuan, a 150-percent increase over the 1984 figure; those by foreign funds, 63.28 million yuan, a 40.4-percent decrease from the 1984 figure; those in the project of replacing oil with coal, 120 million yuan, an 8.9-percent decrease from the 1984 figure; those raised among individuals, 580 million yuan, a 2.8-percent decrease from the 1984 figure; and those outside the plans, 600 million yuan.

The number of capital construction items that were under construction in 1985 reached 3,209. Of which, 1,717 projects were completely built and put into production. Of these capital construction items, 30 large and medium-sized projects cost 1.16 billion yuan of investments, which accounted for 95.6 percent of the annual investment plan in this regard and 33.4 percent of the total volume of investment in capital construction. In 1985 the province completely built six projects among the eight large and medium-sized items that were required to be completely or partly built within the year. The six projects include the south channel diverting the Luan He water, the No 2 Wannian coal pit in Fengfeng mining area, the Linnancang vertical coal pit in Kailuan mining area, the No 1 expanded generator [word indistinct] in Xingtai power plant, the No 1 generator set in Fengren power plant, and the second-phase construction of the Qinhuangdao coal berth.

New fixed assets investment of the year totaled 3.25 billion yuan, and 93.5 percent of the fixed assets were made available, showing an increase of 18.9 percent over the previous year. However, the rate of local capital construction put in commission, and that of residential houses completed showed slight decreases from the previous year.

Technical transformation of the existing enterprises was further intensified. Investment in projects involving renewal of equipment and other technical transformation measures, and that for other purposes of the units owned by the whole people totaled 2.81 billion yuan, a 34.2-percent increase over the previous year. Of the sum, the investment in projects involving renewal of equipment and other technical transformation measures was 1.72 billion yuan, up 36.8 percent. Of the investment in projects involving renewal of equipment and other technical transformation, that for the purpose of increasing production, conserving energy and raw materials was 790 million yuan, up 19.2 percent, and that for the purpose of increasing the variety of products and upgrading their quality was 320 million yuan, up 110 percent. Fifty-three percent, or 1,191, of the projects involving renewal of equipment and other technical transformation measures went into operation in the year, increasing by 1.15 billion yuan of fixed assets.

Capital construction investment and the investment in projects involving renewal of equipment and other technical transformation measures of the units owned by the whole people helped add the following major production capacities or efficiency: 2.87 million tons of coal, 1.8 million tons of coal dressing capacity, 225,000 kilowatts of power generating capacity, 694,000 kilovolt-ampere of power transformation equipment of 110,000 volt or above, 337.4 km of power transmission lines, 714,000 tons of cement, 1.65 million standard cases of plate glass, 2 berths with a cargo handling capacity of 20 million tons, 70,000 television sets, 2,200 lines of city telephone, 165,000 square meters of houses for commercial business, 72,310 seats for students, and 2,861 hospital sickbeds.

Further development was achieved in the reform of the management systems of building trade and capital construction. Among the building and installation enterprises owned by the whole people throughout the province, 96.5 percent instituted the contract responsibility system in various forms, and 14 percent of the projects they carried out were undertaken through bidding. In wage distribution, 42.6 percent of the enterprises enforced the system under which contracts were signed to fix the amount of wages for every 100 yuan's worth of finished work, thus invigorating production, and improving labor efficiency. Construction enterprises owned by the whole people created 1.32 billion yuan in output value in the year, showing a 19.5-percent increase over the previous year. When considering price rises, the increase was 7 percent. The per-capita productivity was 7,494 yuan, up 15.1 percent from the previous year.

New achievements were scored in geological work. Units under the provincial geological bureau completed 10,000 meters of machine core drilling, 2.5 percent more than the annual plan. The plans to verify new reserves of iron ore and placer for glass production were overfulfilled. At the same time, reserves of three kinds of minerals not covered by the plan were verified. In 1985 they turned over to the state 32 geological reports on eight large and medium-sized mineral-bearing areas for thorough prospecting, and 25 mineral-bearing areas for initial prospecting.

4. Transportation, Post and Telecommunications

In 1985 communications and transportation departments actively adopted effective measures to raise their transportation capacity, thus substantially increasing their freight and passenger transportation volumes. The volume of goods transported by the Shijiazhuang railway subbureau was 44.63 billion ton-km in the year, a 13.2-percent increase over the previous year, and the volume of passengers transported by it was 11.07 billion person-km, up 19.7 percent from the previous year. The volume of cargo handled by the Qinhuangdao harbor reached 44.19 million tons, 23.5-percent over the previous year, and ranking second in the country. The volume of passengers transported by the Hebei Civil Aviation Bureau totaled 4,018 persons. The gross volume of goods transported by local transportation departments totaled 5.3 billion ton-km, 5.5 percent over the previous year. Of this, the volume of road freight

was 2.31 billion ton-km, a decline of 1 percent, that of waterway cargo 2.84 billion ton-km, up 11.2 percent. The gross volume of passenger transportation was 5.19 billion person-km, an increase of 8.5 percent over the previous year. Of this, the volume of road passenger transportation was .16 billion person-km, an increase of 8.6 percent.

Transportation business undertaken by urban and rural collectives and individuals was vigorous. In 1985 the number of vehicles possessed by individual households and associations totaled 27,611, 30 percent more than the previous year.

Post and telecommunications continued to develop. In 1985 the transactions throughout the province amounted to 126 million yuan, up 13.9 percent from the previous year. The number of letters handled went up 22.4 percent; telegrams handled went up 17 percent; newspapers and magazines distributed up 11.4 percent; and long-distance telephone calls up 12.5 percent. The year-end telephone subscribers in urban areas totaled 99,300 households, up 10.9 percent from the previous year.

Economic results improved somewhat in the transportation and posts and telecommunications departments. In 1985, the per-capita productivity of the Shijiazhuang railway subbureau rose by 11.4 percent. The passenger and freight transportation cost per 10,000 ton-kilometer rose by 6 percent and the profits rose by 8 percent over the previous year. The local transport enterprises' vehicle transportation cost per 1,000 ton-kilometer went down by 8.1 percent from last year. The profits made by post and telecommunications enterprises increased by 113 percent over the previous year. However, the development in the transport, post and telecommunications sectors still could not meet the needs of production and the people's livelihood.

5. Domestic Trade and Materials Supply and Marketing

The urban and rural markets were brisk and prosperous. There was an ample supply of commodities and the supply continued to grow by a large margin. In 1985, the total retail sales of commodities reached 20.44 billion yuan, up 17.5 percent over the previous year. If price increases are factored, the actual increase was 8.9 percent. Of the total retail sales, consumer goods reached 19.97 billion yuan, an increase of 22 percent, and farming materials and equipment reached 3.47 billion yuan, the same as the previous year. Compared with the previous year, of the total sales of major consumer goods of the commercial units run by the state and the supply and marketing cooperatives, the sales of grain dropped by 6.4 percent, edible oil 1.2 percent, fresh eggs 46.7 percent, and pork 32.7 percent; the sales of edible sugar increased by 37.1 percent, and that of woolen piece goods dropped by 1.3 percent; the sales of cotton cloth increased by 16.1 percent, silks and satins 23.9 percent, and watches the same as the previous year; the sales of sewing machines dropped by 19.3 percent, that of television sets increased by 87.3 percent, electric fans 240 percent and washing machines 73.6 percent; the sales of bicycles dropped by 7.8 percent; the sales of refrigerators increased by 650 percent and that of cassette recorders 95.2 percent.

The commodity circulation system reform steadily developed. As of the end of 1985, 60 percent of the province's small state-run retail commercial, catering and service units had implemented the collective management system and about 27 percent of the enterprises were directly turned over to collective ownership or were leased to individuals. The provincial industrial wholesale centers were administered by cities and incorporated with the third-level wholesale centers. There were 77 trade centers of various forms. More peasant households and commune members became shareholders of the supply and marketing cooperatives. The province continued to develop trade fairs and their number rose from 2,274 in the previous year to 2,477. Of the increase, 54 new trade centers were in the cities. The sales volume of the urban and the rural trade fairs reached 3.38 billion yuan, an increase of 45.9 percent over the previous year.

The reform of the circulation system succeeded in promoting the development of the diversified forms of economy. Of the total sales of commodities, the retail sales in the state-owned economic sector reached 8.43 billion yuan, an increase of 8.2 percent while retail sales in the collective sector reached 7.64 billion yuan, an increase of 15.8 percent. The sales in the individual sector reached 3.37 billion yuan, up 38.7 percent. The proportion of retail sales of the state-owned economic units dropped, that of the collective units remained the same as the previous year, and that of the individual units rose from 14.3 percent in the previous year to 17.3 percent. In addition, the retail sales by peasants to nonagricultural residents reached 1 billion yuan, up 73.6 percent.

We smoothly carried out price reform in 1985, and succeeded in promoting the development of commodity economy, and invigorating the urban and rural markets. However, market price increases were too large. In 1985, the general price indices for state purchases of farm and sideline products showed an average increase of 12.2 percent over the previous year. The general retail price index of commodities showed an average increase of 7.8 percent over the previous year, of which the prices of consumer goods rose by 8.3 percent and that of farming materials 4.9 percent. Of the price increases in the urban and rural areas, the urban areas showed an increase of 9.2 percent and the rural areas 7 percent. Of the commodity price increases, the price of fresh vegetables increased by 37.8 percent; meat, poultry and eggs 16.8 percent; aquatic products 13.2 percent; fresh fruits 28.8 percent; grain 21.6 percent; traditional Chinese medicines 4.9 percent; and books, newspapers, and magazines 19.1 percent. The retail prices of clothing, daily necessities, and cultural and recreational goods also slightly increased. The cost of living index for workers and staff members during the year rose by 5.1 percent over the previous year. Of this, the prices for consumer goods rose by 9.2 percent and those for service trades rose by 5.1 percent. The general price index of the trade fairs during the year rose by 10.9 percent over the previous year, of which the urban sector showed an increase of 17.1 percent.

The purchases and sales of the means of production were brisk. In 1985, the province's total purchases made by the supply bureaus showed an increase of 35.4 percent and the total sales increased by 34 percent over the previous year. Of this, coal sales dropped by 10.8 percent, and the sales of rolled steel increased by 15.9 percent, cement 16.9 percent, plate glass 16.9 percent, timber 7.4 percent, and heavy-duty trucks 22.5 percent.

6. Foreign Economic Relation, Foreign Trade, and Tourism

In 1985 the province showed a large increase in foreign trade and its gross volume of exported commodities reached $1.3 billion, a 70.3-percent increase over the 1984 figure. Of these exported commodities, petroleum reached 3.78 million tons, a 380-percent increase over the 1984 figure, and the export volume of various machines showed a 110-percent increase over the 1984 figure.

The scope of introducing outside technology and utilizing outside funds further increased. In 1985 the province signed the contracts with the outside places on 201 technical items worth $140 million, a 53.1-percent increase over the 1984 figure, and received $48.03 million of 52 foreign funds, a 270-percent increase over the 1984 figure. All of these introduced programs will play a promoting and important role in developing the economy in the province.

The province made a steady progress in tourism. In 1985 the tourist departments and the units concerned received 31.997 foreigners, Overseas Chinese, and compatriots from Hong Kong and Macao, who made tours and business trips and visited their relatives in the province, a 45.6-percent increase over the 1984 figure. The province earned 7.147 million yuan of foreign exchange from the tourism, a 38.6-percent increase over the 1984 figure.

7. Science, Education and Culture

Conducting reforms in scientific and technological systems resulted in enhancing the vitality of the scientific research units, and application, research, and technical exploitation also scored marked achievements. In 1985 the province scored 420 major scientific and technological results, 77 items more than the 1984 figure. Of these results, 25 items won the national prize of scientific and technical progress; 286 items won the provincial prize in this regard. The rate of popularizing and applying the scientific and technological results reached 76.7 percent, which earned 660 million yuan of economic returns. In 1985 the province also scored an achievement in developing mountainous areas and overcoming technical difficulties cropping up in developing Heilongjiang area and made greater progress in applying mini-machines and developing the technology for further processing of corn. The ranks of scientific and technological workers were growing steadily. The state-run units throughout the province had 271,100 personnel of natural science and technology, 14,200 more than the 1984 figure, and 256,500 personnel of social science and technology, 6,830 more than the 1984 figure.

Conducting reforms in educational systems promoted the stable development of educational undertakings. In 1985 the province enrolled 363 graduate students, 237 more than the 1984 figure; had 593 graduate students enrolling in schools, 332 more than the 1984 figure; enrolled 21,700 students of general higher educational institutions, 4,123 more than the 1984 figure; had 52,800 students studying in these institutions, 9,659 more than the 1984 figure; enrolled 28,700 students of adult higher educational institutes, 14,400 more than the 1984 figure; had 49,700 students studying in these institutes, 12,500 more than the 1984 figure; and the province also added some specialized courses that did not exist before and increased the number of students for the departments which are short of students.

The secondary educational structure was further improved. In 1985 the province enrolled 33,500 students of secondary specialized schools, 7,037 more than the 1984 figure; had 73,100 students studying in these schools, 5,764 more than the 1984 figure; had 136,100 students of agricultural and vocational middle schools, 31,000 more than the 1984 figure; had 33,000 students of general senior middle schools, 28,200 more than the 1984 figure; had 2,113,700 students of general junior middle schools, 306,300 more than the 1984 figure; enrolled 33,700 students of adult secondary educational institutions, 30,000 more than the 1984 figure; and had 55,100 students studying in these institutions, 50,200 more than the 1984 figure.

The work of making elementary educational universal achieved a new progress. In 1985 the province had 6.013 million elementary school students. The province increased its enrollment rate of school-age children from 97.6 percent in 1984 to 97.7 percent in 1985, and enhanced the preschool education among the children. It had 739,500 kindergarten students, 172,300 more than the 1984 figure, and also achieved a certain development in the education for the blind, the deaf and dumb, and the intellectually handicapped.

The undertakings of culture, journalism, radio and television broadcasting, and publication made new contributions to building socialist spiritual civilization. In 1985 the province made 13 television dramas that were divided into 23 volumes; published 173 new (long) films; published 447 million copies of newspapers, a 10.5-percent decrease from the 1984 figure; published 18,710 volumes of various periodicals, a 110-percent increase over the 1984 figure; and published 239 million books, a 39.1-percent increase over the 1984 figure. The province had 9,120 film projecting units, 181 literary and art troupes, 423 theaters and cinema houses, 172 cultural halls, 104 public libraries, 12 museums, and 193 archives. The province had 7 medium-wave radio stations, 21 frequency modulation radio stations, 8 television stations, and 15 television transmitting and relaying stations with more than 1,000 kw of power.

8. Public Health and Sports

Medical and public health conditions for the people continue to improve. By the end of the year, the number of hospital beds in the province reached 120,900, 9.7 percent more than the 1984 year-end figure. Professional health

workers numbered 153,200, of whom doctors numbered 71,700, down 1.3 percent, and nurses and senior nurses numbered 25,200, up 3.1 percent. Further improvement was achieved in the patriotic public health campaign and the work to prevent and cure diseases.

New successes were scored in sports. In 1985 provincial athletes won 29 gold medals, 12 silver medals and 2 bronze medals at major international competitions, and 44 gold medals, 50 silver medals and 52 bronze medals at national events. They broke seven national records. At the first national junior games, the provincial delegation ranked third in terms of the number of gold medals they won, thus achieving a significant breakthrough in Hebei's sports history of nearly two decades. A total of 2.72 million people met the requirements prescribed by the state standards for physical culture and sports training, and mass sports activities became more extensive.

9. Living Standards

Urban and rural people increased their income, and continue to improve their living standards. According to a sample survey of the incomes and expenses of 4,200 rural households in 42 counties, in 1985 the average annual per-capita net income was 385 yuan, up 11.6 percent from the previous year. When allowing for price rises, the actual increase was 6.5 percent. The average living expenses per capita was 297.6 yuan, an increase of 22.3 percent over the previous year. There were 29 bicycles and 27 watches in every 100 peasants, and there were 70 sewing machines, 17.5 televisions, 4 radio-recorders, and 3.9 washing machines in every 100 peasant households. A sample survey of 990 urban households of 10 cities showed an average annual per-capita income of 677.3 yuan, 22.1 percent more than the previous year. Considering price rises, the actual increase was 12.1 percent. The average annual living expenses per capita was 645.9 yuan, up 27.1 from the previous year. In 1985, 337,000 people in urban areas of the province were given jobs. The number of staff members and workers at the year end reached 5.552 million, 242,000 more than the previous year. The number of urban self-employed totaled 105,000, 23,000 more than the previous year. The annual wages of staff members and workers reached 5.63 billion yuan, an increase of 18.3 percent over the previous year. The actual increase was 4.4 percent when the cost of living increase was considered. Due to a rather large-scale increase in commodity prices, the living standards of some low-income families were affected to a certain extent.

Savings deposits of urban and rural people increased substantially. Urban and rural savings deposits came to 10.9 billion yuan at the end of the year, up 28.8 percent from the previous year.

Living conditions for urban and rural people showed further improvement. In 1985, 5.6 million square meters of residential housing were built in urban areas, and about 45 million square meters were built in rural areas.

Continued development was achieved in support for the people whose livelihood was not assured. In 1985 social welfare units in the province numbered 1,649, taking care of 17,600 people. A total of 72,300 aged, disabled, widowed and orphaned people were supported by rural collectives. Urban poor households and those entitled to special care were supported, and some of them eliminated poverty.

10. Population

According to initial statistics, the 1985 year-end population of the province was 55.5 million, 630,000 more than the previous year.

According to sample survey of the population change of 396 resident (villager) groups in 34 counties (city districts), the 1985 birth rate was 17.04 per thousand, the mortality rate 5.49 per thousand, and the natural population growth 11.55 per thousand, up 0.23 per thousand from the previous year.

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CSO: 4006/840

AGGREGATE ECONOMIC DATA

BRIEFS

INDUSTRIAL, AGRICULTURE OUTPUT DOUBLES--Nanjing, March 10 (XINHUA)--Jiangsu, one of China's better developed provinces, has more than doubled its industrial and agricultural output value in the past five years. According to provincial officials here today, the output value of the province reached 126.9 billion yuan in 1985, ranking first among all Chinese provinces, municipalities and autonomous regions. China decided in 1982 to double its national output value of industry and agriculture by 1991. The officials attributed the success to the open policy and the development of rural industry. Jiangsu has developed economic and technical cooperation with more than 20 countries and regions in the past five-year period, including Japan, the United States, the Federal Republic of Germany, Italy, France, Canada, and Hong Kong. The province's 18 sino-foreign joint ventures have so far earned a total profit of more than 10 million yuan, the officials said. The output value of Jiangsu's rural industrial enterprises reached 38.3 billion yuan in 1985--3.5 times the figure for 1980. [Text] [Beijing XINHUA in English 1531 GMT 10 Mar 86 OW]

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CSO: 4020/239

ECONOMIC MANAGEMENT

FUJIAN CIRCULAR ON ECONOMIC STRUCTURAL REFORM

OW100606 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 9 Mar 86

[Text] The provincial CPC Committee and the provincial government recently approved and transmitted a report on the focal points of urban economic structural reform for Fujian Province in 1986 submitted by the provincial Commission for Restructuring the Economic System; it has issued a circular in this connection. The circular calls on party committees and governments at all levels to further strengthen the leadership over economic structural reform, always give top priority to reform, and establish a leadership responsibility system for reform at each level in order to ensure the smooth progress of reform.

The circular points out: In restructuring the urban economic system this year, it is necessary to pay attention especially to the following five points:

1. It is necessary to continue to invigorate enterprises by earnestly reviewing the delegation of greater decisionmaking powers to enterprises in all fields; further straightening out the economic relationship between various sectors after the expansion of decisionmaking powers of enterprises affiliated to the provincial government; accelerating the reorganization of government-run corporations; further reducing mandatory planning tasks; setting up a number cf export commodity production bases; and adopting effective measures to stop indiscriminate collection of fees and expenses from enterprises to reduce unnecessary burdens on them. At the same time, it is also necessary to perfect the existing wage and bonus systems and other reforms already carried out by enterprises.

2. It is necessary to improve the circulation system. Efforts must be made to enliven the consumer goods market and develop the market of means of production in order to explore and pave the way for opening up and developing the investment market, the technology market, and the labor service market.

3. It is necessary to intensify and perfect indirect macroeconomic control and regulating means and strictly control the investment scale on fixed assets by correctly guiding the direction of investment and improving the scale and structure of financial revenues. On the basis of the second step in substituting profit delivery by taxation, it is necessary to gradually increase the

level of after-tax profit retention by enterprises and to take new steps to reform the banking system.

4. It is necessary to vigorously develop lateral economic cooperation.

5. It is necessry to explore and try out measures to establish a socialist stockholder's system, open up the market of means of production, reform housing rental in cities and towns, expand the scope of arranging retirement funds for workers and staff, reform industrial and economic management organizations, and carry out comprehensive reform in the county-level economic system.

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CSO: 4006/827

ECONOMIC MANAGEMENT

HEBEI GOVERNMENT HOLDS CONFERENCE ON PRODUCTION

SK070711 Shijiazhuang HEBEI RIBAO in Chinese 19 Feb 86 p 1

[Excerpts] On the evening of 18 February, the provincial People's Government held a telephone conference to urge prefectures, cities, counties, and the departments in charge of economic management at all levels to make concerted efforts, to grasp current production on the industrial and communications front in the firmest possible manner, and to do a good job in grasping first-quarter production in a down-to-earth manner in order to lay a favorable foundation for fulfilling the annual state plan this year.

Li Feng, vice governor of the province, presided over the conference, at which, Ye Liansong, vice governor of the province, delivered a speech on current production on the industrial and communications front. After analyzing the province's current situation in industrial and communications production, Comrade Ye Liansong pointed out: The fulfillment of the January production plan was not satisfactory enough and did not reach the anticipated target. This phenomenon results from either subjective or objective reasons. The subjective reasons are as follows: 1) In making preparations for this year's production, our province did not take the work into satisfactory consideration, did not make careful arrangements for the work, did not grasp the work firmly, and did not manage the work in a timely manner; 2) some cadres on the economic front have not been clear about the ultrahigh speed and the dialectical relationship between economic returns and the speed of increases, harbored certain wrong impressions, and have had a slack mood; and 3) the ideological and political work has not been carried out satisfactorily among the staff members and workers. The objective reasons are as follows: 1) The supply and demand of electric power has caused a prominent contradiction; 2) the circulation funds of enterprises have been seriously; and 3) the supply of some raw materials has not been sufficient. In order to make a success in the current production of the industrial and communications front, Comrade Ye Liansong put forward the following opinions:

1. Efforts should be made to earnestly analyze the current situation in production and to correctly discern the relationship between speed and results. It is imperative for us to maintain an adequate speed of increase in industrial production, or otherwise it will be difficult for us to achieve better economic returns. Therefore, on the premise of increasing economic

results, we must assuredly show an 8 percent increase in industrial production this year and strive to achieve a 10 percent increase.

2. A good job should be done in continuously conducting reforms in order to reinforce the vigor of enterprises. On the basis of reform results scored in 1985, efforts should be made to further consolidate enterprises, conduct technical digestion, carry forward supplements and achieve further improvement.

3. Efforts should be made to grasp the production of light and textile industries in order to ensure the market supplies and to vigorously increase the output of fine-quality and low-priced products that enjoy brisk sales. Prefectures and the departments should put the production of commodities that enjoy brisk sales and of export commodities on their important production schedule.

4. A good job should be done in conducting the production and management of electric power. The power industry departments must regard as the most important task the work of generating much electricity, offering more supplies, and doing a good job in realistically carrying out this work.

5. Efforts should be made to deal with the problem of a shortage of circulation funds among enterprises. In dealing with monetary affairs, a good job should be done in both curtailing money releases and providing reasonable supplies.

6. Efforts should be made to enhance management over construction projects and to increase reserve strength.

7. Efforts should be made to strengthen leadership over industrial and communications production. Not only the party committees at all levels, but also the administrative leaders at all levels should conduct ideological and political work among the staff members and workers.

At the conference, Li Feng, vice governor of the province, also delivered a speech on the current issues of agricultural production, in which he pointed out: The local authorities should by no means weaken their leadership over agricultural production. They should lead the peasants to not miss farming opportunities and to pay special attention to wheat-field management. The industrial, trade, and water conservancy departments should enhance their support programs to agriculture and spend their limited funds and use their material and water resources on crucial farming occasions in order to strive to reap a bumper agricultural harvest this summer.

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CSO: 4006/827

ECONOMIC MANAGEMENT

HEILONGJIANG CONFERENCE ON BLOWS TO ECONOMIC CRIMINALS

SK070514 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 6 Mar 86

[Text] Today, the provincial CPC Committee held a telephone conference on dealing blows to serious economic crimes. Zhou Wenhua, deputy secretary of the provincial CPC Committee, called on the party and government organs and economic departments at all levels to resolutely investigate and handle major and appalling cases and to firmly dampen the aggressive arrogance of the serious economic criminals.

Zhou Wenhua said: In 1985, the province as a whole filed and completed handling more than 4,000 economic criminal cases of various descriptions, of which 303 were major and appalling cases involving 10,000 yuan or more. Although we have scored great achievements in dealing blows to economic criminal activities, we still should not underestimate their seriousness and harmfulness. Zhou Wenhua cited the manifestations in the current serious economic crimes: 1) The major illegal and criminal activities have become prominent and the number of major and appalling cases has increased continuously; 2) the number of illegal and criminal cases committed by corporations has increased by a large margin. In order to reap staggering profits, some state-owned enterprises and establishments, and collective economic organizations have engaged in bribery, speculation, and swindling; 3) the range of economic illegal and criminal activities has become wider; and 4) cases involving the banking, supply, and marketing departments have run rampant.

While touching on this year's tasks, Comrade Zhou Wenhua said: The CPC Committees at all levels and the administrative and economic management departments should uncover the economic criminal activities in each and every department in line with the party rectification work and the principle of being resolute and persistent in doing things, should have courage to tackle difficult problems and to smash the network of connections and the protective layers, and to handle all cases regardless of whom and which units they are related to. In line with the principle of dealing strict and heavy blows to criminals, we should step up our efforts to investigate and handle major and appalling cases and should not tolerate them. In addition, we should strengthen investigations and study, pay attention to dealing blows to corporations which have been involved in crimes, and conscientiously sort out all economic organizations such as new companies and trade centers.

Meanwhile, we should comprehensively tackle all economic problems, conduct ideological and political education among the party members and cadres by citing typical law cases, establish and improve systems, and stop up all loopholes. The CPC Committees at all levels should include the work of dealing blows to serious economic criminals on their agenda, and end the situation in which the temporary organs are unsuitable for long-term tasks.

Zhou Wenhua said: The provincial CPC Committee has decided to change the provincial CPC Committee office in charge of the implementation of the decision on dealing blows to economic crimes into office in charge of dealing blows to serious economic crimes and to make it a permanent organ for dealing blows to serious economic crimes of the provincial CPC Committee. The CPC Committees at all levels should strengthen their future work in line with the decision of the provincial CPC Committee.

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CSO: 4006/827

ECONOMIC MANAGEMENT

HENAN COUNTY ACHIEVES GOOD ECONOMIC STRUCTURAL REFORM

HK120641 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpts] Gongxian County, one of the province's 12 experimental counties in economic structural reform, has persisted in reform, open policy, and readjustment, thus achieving remarkable results in comprehensive economic structural reform. A new situation of continuous, steady, and coordinated economic development has appeared in the county. The county's industrial and agricultural output value for 1985 amounted to some 885 million yuan, an increase of 165 percent over 1980. The output value of the county's town and township enterprises in 1985 was 614 million yuan, an increase of 269 percent over 1980.

In view of the county's characteristics of less arable land, more people, and relively abundant natural resources, the county CPC committee and government have firmly grasped the readjustment of the production structure in the course of reform. Treating town and township enterprises as a breakthrough, they have developed commodity production in a multi-tier way, in various channels, and in various trades. There are now about 14,000 town and township enterprises in the county. Of all 17 towns and townships in the county, the industrial output value of 15 town and townships each exceeded 10 million yuan in 1985, and that of (Huiguo) Town exceeded 1 billion yuan. The development of commodity production and town and township enterprises has promoted the development of agriculture and other production. The percentage of industrial output value in the county's total industrial and agricultural output value increased to 82.6 in 1985, and that of agricultural output value decreased to 17.4. Nearly 200,000 people are now engaged in industry and tertiary industry, accounting for 82.9 percent of the county's total workforce. The percentage of those engaged in agricultural production has now decreased to 17.1. Although the percentage of agricultural output value in the total industrial and agricultural output value decreased, and the number of those engaged in agricultural production has dropped, agricultural production has developed rapidly. The county's agricultural output value increased from 95 million yuan in 1980 to 154 million yuan in 1985.

The economic structural reform has promoted the development of industrial and agricultural production and upgraded the people's livelihood. The total savings deposits of urban and rural residents in the county in 1985 amounted to more than 120 million yuan. The per capita savings deposits in 1985 was 194 yuan. The per capita net income of peasants in 1985 amounted to 432 yuan, an increase of 310 percent over 1980.

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CSO: 4006/827

ECONOMIC MANAGEMENT

WUHAN APPLIES ECONOMIC LEVERS IN ECONOMIC READJUSTMENT

Beijing RENMIN RIBAO in Chinese 1 Nov 85 p 2

[Article: "Wuhan Municipality Using Economic Levers, Doing Good Job in Readjustment Work; Strengthen the Self-Reform and Development Capability of Our Large and Medium-Sized Enterprises"]

[Text] The planning commission of Wuhan Municipality has adopted the planned goals of our national economy as a guide in comprehensively using economic levers and doing a good job in economic readjustment, thereby succeeding in enabling part of our large and medium-sized enterprises to enhance their vitality and effecting increases in our products for export as well as our foreign exchange earnings.

Since the beginning of this year, assuring the steady increase in financial revenues for the state has required Wuhan to adopt economic approaches such as reducing readjustment taxes, raising depreciation rates, returning submitted depreciation funds, and experimenting with issuing awards for raw material savings to enhance the capability of our large and medium-sized enterprises to effect their self-reform and self-development. Up to the present, it has reduced 5 to 10 percent of the readjustment taxes in the case of 10 large and medium-sized enterprises with more than 5 million yuan of annual profits, a rate of more than 30 percent in readjustment taxes, and less than 600 yuan in average retained profits per person, such as the Gedian Chemical Works of Wuhan. In the case of enterprises whose tasks of technical reform are rather heavy, such as the Wuhan Steel Works, Wuhan Pharmaceutical Plant, and Wuhan Tobacco Plant, it has returned to them all the depreciation funds submitted to the municipality. By these two measures alone, it enabled these enterprises to gain more than 50 million yuan extra to use for their technical reform and technical development.

At the beginning of this year, because of the constraints imposed by factors such as the supply of coal, electric power, and steel products, and the price of raw materials, the economic results of part of our large and medium-sized enterprises were adversely affected. In April, experimental issuing of awards for energy, raw material and, materials savings was carried out among 63 large and medium-sized enterprises in the municipality, which encouraged them to tap internal potential, reduce expenditures, and thereby realize an increase in their production. During the first half of the year, the Wuhan Steel Works, by

utilizing the energy resources and raw and processed materials it had saved, increased its steel production by 300,000 tons. From May to August, the Wuhan Pharmaceutical Plant saved 220,000 yuan of raw and processed materials, with the enterprise itself directly accruing nearly 200,000 yuan. Up to the end of August, the Wuhan Metal Refining Plant saved 314,000 yuan of raw and processed materials, thus succeeding on it own to eliminate 90 percent of a price-increase factor.

Concerning the production of the Wuhan textile industries, directive plans were changed to guidance plans, and contracted product sales were also changed to sales by the enterprises themselves; after this, there emerged a situation in which the textile plants experienced shortages in yarn while the printing and dyeing mills experienced shortage in primary cloth. Authorities of the municipality took the preferential measures of encouraging the printing and dyeing mills to increase their stockpiles in time and, by readjusting the profit retention rate of the textile industries through tax-for-profit substitution, made it possible for the average per capita retained profit of the industries to increase from 282 yuan to 326 yuan. Hence, beginning in April, the situation with the industries exhibited a turn for the better. Because balance among the industries and coordination of their production was achieved, the average monthly profit rate realized by all the industries each month from April to August increased by 1.24 times over that of the first quarter.

In the foreign trade port newly opened by the muncipality, there emerged at one time the problem of insufficient supplies for export and only small amounts of business transacted, with only 3.31 percent of the annual plan's export target fulfilled during the first quarter. In response to this situation, the municipal planning commission took the lead and worked with the municipal economic commission, the foreign trade and economic relations commission, the financial, taxation, banking, and materials and suppplies departments, and so on, and proceeded, on the basis of carrying out necessary investigation and study, to adopt economic levers in enforcing its readjustment; this resulted in a great increase in the supplies of its products for export. Thus, in the third quarter, the amount of foreign exchange earned by the municipality increased 3.3-fold.

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CSO: 4006/224

ECONOMIC MANAGEMENT

BRIEFS

HEBEI ECONOMIC, TECHNOLOGICAL COOPERATION--Hebei Province in 1985 actively developed lateral economic and technological contacts with other provinces, municipalities and autonomous regions of the country. Such contacts were established with 27 provinces, municipalities, and autonomous regions, and 940 million yuan of funds was brought in, a 240-percent increase over 1984. [Summary] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 15 Feb 86 SK] /9599

CSO: 4006/827

FINANCE AND BANKING

SAVINGS DEPOSITS IN NEI MONGGOL INCREASED

Hohhot NEI MONGGOL RIBAO in Chinese 7 Dec 85 p 1

[Article: "During Sixth 5-Year Plan Savings Deposits of Urban Residents in Nei Monggol Show Annual Average Increase of More Than 250 Million Yuan"]

[Text] During the Sixth 5-Year Plan, savings deposits of urban residents in the Nei Monggol Autonomous Region showed an annual average increase of more than 250 million yuan. In the first 10 months of this year alone there was an increase of more than 390 million yuan.

By the end of October the balance for all urban savings deposits throughout the region for the entire year reached more than 1.85 billion yuan, which was 1.98-fold greater than local financial revenue and represented 98.7 percent of capital construction investment, 29 percent of total commodity retail sales and 34.5 percent of the industrial and commercial bank credit balance for the first 10 months of the year. This clearly demonstrates the increasingly marked effect urban savings have on the accumulation of production and construction funds, supporting economic development, stabilizing commodity prices, guiding consumption, and readjusting the standard of living. This year the autonomous region's Industrial and Commercial Bank took the following measures to adapt the overall economic reform to the requirements and maximize the potentials of savings deposits work:

1) Improved propaganda services regarding savings deposits, established more networks, increased the number of service stations and mobile branches to accept deposits. 2) Relied on social forces to greatly develop a system using representatives to conduct bank work. According to statistics, 139 new service networks for specialized savings accounts were opened up in the region from August to October alone. Forty-nine service stations were added and 321 mobile branches were organized that went into the grassroots level in government organs, factories, mines, forestry areas and other units, where more than 2,260 deposits were made, and developed 824 representative savings service networks where 562 deposits from people in enterprises and institutions were made. 3) Shrunk customer waiting time and reduced the number of procedures required to make deposits or withdrawals; purchased and installed 400 computers to calculate savings interest for savings banks and organizations; created convenient conditions for urban residents who wish to open and keep savings accounts.

12221/13252
CSO: 4006/704

SHANGHAI INSURANCE REVENUE LEADS IN NATION

Shanghai WENHUI BAO in Chinese 8 Dec 85 p 1

[Article by Zhang Debao [1728 1795 1405]: "Insurance Business in Shanghai Develops Rapidly; This Year's Insurance Revenue Tops the Nation"]

[Text] This year revenue from domestic and international insurance fees for the Shanghai branch of the People's Insurance Co. of China may reach a total of 210 million yuan, which will place the firm first in the nation. This shows that the insurance business in Shanghai is rapidly developing into a rising new field. This information was revealed to the reported by Wei Yuanjie [7614 0626 2638], general manager of the aforesaid company.

As the overall reform of the urban economy deepens and the national economy develops, the volume of domestic and international insurance business conducted by the company increases and grows. Since its start in 1980 to the present, the firm covers insurance in the following areas: property, life, agriculture, contract responsibility, and so on. It has also initiated import-export shipping insurance, ship and flight travel insurance, and other forms of insurance used abroad. In addition, the company acts as representative for over 300 foreign insurance firms and 11 shipowners' insurance and compensation associations.

Wei Yuanjie explained that the insurance business plays a vital role in compensating for disaster losses, stabilizing enterprise administration and living standards, and in accumulating investment capital. The company paid approximately 5.5 million yuan in compensation to residents, factories, and enterprises in the Shanghai district that suffered damages in the repeated rainstorms of this August and September. When the Shanghai Lacquer and Paint Factory suffered a business loss due to fire, it received more than 200,000 yuan in compensation because it had been insured.

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FINANCE AND BANKING

SYSTEMS OF PROFIT SHARING BETWEEN STATE, ENTERPRISES REVIEWED

Beijing CAIZHENG [FINANCE] in Chinese No 8, 8 Aug 85 pp 39-40

[Article by Sha Nan'an [3097 0589 1344] and Yang Min [2799 2404]: "Reform of Distribution Relations Between the State and Enterprises"]

[Text] The system of profit distribution between the state and enterprises is an important aspect of the enterprises' financial systems. Since the PRC was established, this system has been reformed many times by the state, primarily through enterprise funding, profit retention, and substitution of tax payment for profit delivery.

I. Enterprise Funding

The periods 1952-1957, 1962-1968, and 1978-1979 represent the stages of rehabilitation, readjustment, and consolidation of China's economy. All three had one characteristic in common: On the one hand, many important construction projects needed to be carried out, and on the other, the state was in financial difficulty and short of construction funds. Therefore, it had to adopt the necessary measures to arouse the enthusiasm and initiative of the enterprises and workers, encourage the enterprises to increase their production and income, and then gradually improve the working and living conditions of the workers. In view of these conditions and the state's needs for economic development, as well as its financial capability, enterprise funding was practiced among the state-owned enterprises on different occasions throughout these three periods.

According to the provisions of enterprise funding, the state-owned industrial enterprises had to fulfill the major state plan targets before they could draw from realized profits their enterprise fund, amounting to a certain proportion of payroll. In addition, if they made profits (or reduced losses) over and above the planned figures, or earned more than they did in the previous year, a set proportion of that part of profits could be retained by the enterprises. Failure to fulfill any one of the assigned quotas would result in the reduction of their enterprise funds by a certain percentage. After appropriating the enterprise fund according to the regulations, the enterprises would turn over the remaining profits to the state.

Enterprise funds received for the fulfillment of quotas were used mainly for welfare measures and as bonuses, while the portion that was received for above-quota or increased profits was used for production development or as welfare and bonus funds.

Enterprise funding helped arouse the enthusiasm of the enterprises and workers in fulfilling state plans and in increasing their production and income, and encouraged the enterprises to exercise meticulous calculations and strict budgeting. However, there were also some problems: (1) The amount of enterprise funds, based on the size of the payroll, was not truly linked with the enterprise's economic results. Thus the bigger the labor force an enterprise had, the larger would be its amount. This was not conducive to improving labor productivity. (2) Under the enterprise fund system, not much profit could be retained by the enterprises. In 1952-1957, for example, the amount of enterprise funds appropriated in the entire country accounted for only 3.6 percent of realized profits. The funds required by the enterprises for developing their production came primarily from state allocations, while expenditures for workers' welfare were charged to production costs. The practise of "eating from the same pot" essentially remained unchanged.

II. System of Profit Retention

In 1958-1961 and 1979-1982, a construction upsurge was shipped up in China's national economy, and many economic systems were undergoing readjustment and reform. To meet this new situation and to increase the enterprises' financial resources as a means of arousing enterprise and worker enthusiasm, the system of profit retention was introduced among the state-owned enterprises during these two periods.

In 1958-1961, when the system of profit retention was in force, the amount to be retained, with departments as units, was based on what the state actually spent on "technical and safety measures, development of new products, workers' welfare, and other minor items," plus the enterprise fund, the socialist emulation bonus funds, and the shares of above-quota profits actually appropriated during the First 5-Year Plan in proportion to the profits of the same period. Out of the total retained amount, the shares of individual enterprises were to be determined by the department in charge.

In 1979-1982, the method of profit retention for the state-owned industrial enterprises mainly took two forms: First, the retention of base profits in addition to the retention of increased profits. The proportion of base profits was based on the total amount of five different expenses: (1) expenses for trial production of new products ranging from 1 to 3 percent of the total profits according to the size of the project; (2) expenses for scientific research and the technical training of workers, as determined by the state; (3) the workers' welfare fund, amounting to 11 percent of the payroll; (4) workers' bonuses, calculated at 10 to 12 percent of standard wages; and (5) the enterprises fund, to be determined by the department in charge within the limit of 5 percent of the payroll. The proportion of increased profits to be retained would range from 10 to 30 percent

according to different trades. Second, retention of the total profits. The amount to be retained was based on the grand total of base profit retention and increased profits retention in the previous year or the previous 3 years in proportion to the total profits in the same period. According to regulations, the profit sharing departments and enterprises must fulfill all the five state quotas before they could share the total profits; otherwise, they would forfeit 8 percent of their share for each unfulfilled quota. If they failed to fulfill any one of these five quotas, their share of profits would be reduced by 40 percent.

In sharing the profits, the enterprises had to set up their production development fund, new product trial production fund, workers' welfare fund, and workers' bonus fund in varying proportions as required by the state or in accordance with regulations, and use these funds accordingly.

The practice of profit retention initially altered the state of over-centralization and rigid control and gave the enterprises greater decisionmaking power. Since the enterprises' income and the workers' welfare benefits were directly linked to business results, this system played a positive role in arousing the enthusiasm and initiative of the enterprises and the workers and encouraging the enterprises to be concerned for the result of their production and to improve their management for better economic results. However, as the reform progressed, certain problems cropped up. Because of the irrational pricing system, which had been in existence for many years, there were big gaps between the profit intakes of different enterprises and trades operating under highly diversified conditions. The constant changes in the objective economic conditions and the somewhat irrational proportions of profit sharing placed some enterprises at an unfair disadvantage.

III. Substitution of Tax Payment for Profit Delivery

To further implement the policy of readjusting, restructuring, consolidating and improving, and to speed up the reforms of the financial and other economic systems among the enterprises, the state summed up its experiences in past financial system reforms, conducted some experiments, and decided to institute the system of substituting tax payment for profit delivery among all state-owned enterprises. Thus the profits which were formerly turned over to the state were replaced by taxes. This reform was carried out in two different steps.

As the first step, the large and medium-size state-owned enterprises were required to pay an income tax equivalent to 55 percent of their realized profits. Except for keeping a reasonable amount of retained profits, after-tax profits are turned over to the state in various forms and according to each enterprise's situation. These forms include "progressive contracts," "fixed proportions," "regulatory tax" and others. Small-scale state-run enterprises are responsible for their own profits or losses after turning over their 8-grade above-quota progressive tax. If an enterprise's after-tax profits are relatively high, the state can collect an extra contracted fee or a fixed portion of the profits.

The enterprises paying taxes in lieu of delivering their profits must fulfill the six state plan targets--namely, the targets regarding output, quality of products, production cost, turnover of circulating funds, income tax from realized profits, and regulatory tax-before they are qualified for profit sharing according to the regulations. Failure to meet income tax target would result in a 5-percent reduction in their share of after-tax profits; failure to meet the other five targets would result in a 4-percent reduction for each one; and failure to meet all six would result in a 25-percent reduction. The after-tax profits shared could be used, according to regulations or as required by the state, as production development funds, new product trial production funds, reserve funds, workers' welfare funds, or workers' bonus funds.

The second step was taken on 1 October 1984. Since that day, the system of both tax payment and profit delivery has been gradually replaced by that of substitution of tax payment for profit delivery. The main features are as follows:

1. The current industrial and commercial tax was to be classified into product tax, business tax, value-added tax, and salt tax, according to its characteristics. At the same time, the taxable items under the product tax category were reduced, and the tax rates were duly revised to alleviate certain contradictions caused by irrational pricing. Thus, tax was able to play a more active role as a lever in regulating production and circulation.

2. Taxes on natural resources such as crude oil, natural gas, coal, and metallic minerals were to be paid by state-owned enterprises for the exploitation of these resources. This served to readjust the difference in the income of certain enterprises operating under unfavorable conditions. It also encouraged the enterprises to strengthen their economic accounting and to manage and utilize the state's resources more effectively.

3. Income tax was to be levied on the state-owned enterprises making profits. The large and medium-size state-owned enterprises were to pay their income tax at the rate of 55 percent, and the small state-owned enterprises were to pay the same tax at the 8-grade above-quota progressive rate. The large and medium-size state-owned enterprises form the backbone of the national economy and the main source of state revenues. It is therefore convenient to tax them at a set rate. Since the small state-owned enterprises may be run by the collective or by individuals under contract or lease, and their profits are more susceptible to market regulation, the use of the 8-grade above-quota progressive rate would be more suitable for their flexible business operation.

4. A regulatory tax has to be collected from the large and medium-size state-owned enterprises. The rate of this tax is set according to the varying conditions under which the enterprises operate. Converted profits of 1983 are to be used as base figures. Base profits are to be taxed at set rates, while increased profits are taxed at a reduced rate. The margin of reduction has been widened from the original 60 percent to 70 percent, and the method of calculation has been changed from that of a moving base to that of a fixed base which remains unchanged for 7 years instead of 3 years.

5. The criteria for classifying state-owned enterprises as small-scale enterprises have been changed. Formerly, as a small state-owned industrial enterprise, its fixed assets could not exceed 1.5 million yuan and its annual profits could not exceed 200,000 yuan. Now the limits are changed to 3 million yuan for fixed assets and 300,000 million yuan for annual profits. This serves as an incentive to small enterprises.

The second step in the substitution of tax payment for profit delivery is a prerequisite for the economic structural reform in the cities as well as a breakthrough in the entire economic structural reform. Its significance is profound and advantages abundant. The major advantages are as follows: First, it marks a step forward in the distribution of benefits among the state, the enterprise, and the workers. After the second step, the relationship between the state and the enterprises will be fixed by tax laws. This will guarantee a steady increase in state revenues and also enable enterprises to plan production more fruitfully protecting legitimate interests. Second, after the second step, the enterprises' economic responsibility will be increased, which will prompt the enterprises to set up and perfect internal responsibility systems and improve operations and management. It also strengthens the worker's sense of being the masters so that they will make every effort to improve economic results. Third, after the second step, the substitution of tax payment for profit delivery will help eliminate barriers among departments and regions, reduce the unnecessary administrative interventions, and readjust the enterprise lineup according to the requirements of economic development. Fourth, after the second step, taxation will be able to play a more effective role as an economic lever.

The economic structural reform is now going on in various fields in China, and many problems still have to be explored. The system of substitution of tax payment for profit delivery likewise will have to be improved step by step in practice.

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CSO: 4006/77

FINANCE AND BANKING

PRC FINANCIAL STATISTICS SUMMARIZED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 28, 15 Jul 85 p 33

[Text]

Table 1. State Credit Balance (Unit: billion yuan)

Item	Balance at end of 1st quarter 1985	Balance at end of 1984
Itemized deposits	335.376	330.561
From enterprises	138.197	133.379
From financial institutions	24.787	16.588
From capital construction	23.316	33.343
From governmental organizations	31.021	32.346
From cities and towns	86.579	77.662
From rural areas	31.476	37.243
Liabilities to international financial organs	6.133	6.223
Currency in circulation	78.759	79.211
Operating funds of state banks	61.260	57.317*
Carry-over balance in the present year	2.721	3.943*
Miscellaneous	14.103	22.456
TOTAL SOURCE OF FUNDS	498.352	499.711
Itemized loans	441.952	441.957
To manufacturing enterprises	88.851	88.409
To industrial supply and marketing enterprises and materials departments	31.181	30.977
For commercial purposes	217.028	227.280
Short-and medium-term loans for purchasing equipment	29.172	28.966
Industrial and commercial loans to urban collectives and individuals	32.961	29.517
Down payments	.621	.673
To state farms	5.533	5.089
To township and town enterprises	36.605	31.046
Gold	1.204	1.204
Foreign exchange	16.954	18.256
Assets with international financial organs	6.729	6.644

* Preliminary figure

[Table continued on next page]

Financial lending	25.928	26.078
Miscellaneous	5.585	5.572
TOTAL APPLICATION OF FUNDS	498.352	499.711

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 1st quarter 1985	Balance at end of 1984
Itemized deposits	64.721	62.499
From farm collectives	7.011	9.000
From township and town enterprises	6.818	8.111
From individual commune members	49.468	43.812
Miscellaneous	1.424	1.567
Itemized loans	46.461	35.452
To farm collectives	4.639	3.841
To township and town enterprises	15.740	13.502
To individual commune members	26.082	18.109

Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1985 January	February	March
Exchange rate :			
One SDR -- RMB yuan (end of month)	2.7394	2.7196	2.7953
One US dollar -- RMB yuan (end of month)	2.8097	2.8346	2.8199
One US dollar -- RMB yuan (average)	2.8088	2.8251	2.8459
Gold reserves (in million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US$ billion)	12.775	12.330	11.262
Of this: Reserves in state treasury	7.375	7.506	7.682
Foreign exchange balance of the Bank of China	5.400	4.824	3.580
State foreign debt (US$ billion)	3.874	3.909	3.955

	1984 October	November	December
Exchange rate :			
One SDR --RMB yuan (end of month)	2.6300	2.7576	2.7404
One US dollar -- RMB yuan (end of month)	2.6400	2.7873	2.7957
One US dollar -- RMB yuan (average)	2.5564	2.6616	2.7891
Gold reserves (in million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US$ billion)	16.341	15.511	14.420
Of this: Reserves in state treasury	11.342	10.657	8.220
Foreign exchangee balance of the Bank of China	4.999	4.854	6.200
State foreign debt (US$ billion)	3.785	3.822	3.869

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FINANCE AND BANKING

SECOND QUARTER 1985 FINANCIAL STATISTICS SUMMARIZED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 85 p 46

[Text]

Table 1. State Credit Balance (Unit: billion yuan)

Item	Balance at end of 2d quarter 1985
Itemized deposits	333.821
From enterprises	125.489
From financial institutions	28.849
From capital construction	26.131
From governmental organizations	30.455
From cities and towns	92.482
From rural areas	30.415
Liabilities to international financial organs	7.456
Currency in circulation	75.750
Operating funds of state banks	61.260
Carry-over balance in the present year	3.895
Miscellaneous	15.377
TOTAL SOURCE OF FUNDS	497.559
Itemized loans	446.996
To manufacturing enterprises	91.181
To industrial supply and marketing enterprises and materials departments	32.294
For commercial purposes	214.919
Short- and medium-term loans for purchasing equipment	32.721
Industrial and commercial loans to urban collectives and individuals	31.633
Down payments	.794
To state farms	5.781
To rural communes and brigades	37.673
Gold	1.204
Foreign exchange	9.722
Assets with international financial organs	8.101

Financial lending	25.928
Miscellaneous	5.608
TOTAL APPLICATION OF FUNDS	497.559

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 2d quarter 1985
Itemized deposits	63.755
From farm collectives	6.295
From township and town enterprises	6.456
From individual commune members	49.592
Miscellaneous	1.412
Itemized loans	47.797
To farm collectives	4.564
To township and town enterprises	15.946
To individual commune members	27.287

Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1985		
	April	May	June
Exchange rate:			
One SDR -- RMB yuan (end of month)	2.8270	2.8237	2.8730
One US dollar -- RMB yuan (end of month)	2.8522	2.8437	2.8779
One US dollar -- RMB yuan (average)	2.8411	2.8475	2.8625
Gold reserves (million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US$ billion)	11.505	11.177	10.852
Of this:			
Reserves in state treasury	7.177	6.276	5.370
Foreign exchange balance of the Bank of China	4.328	4.901	5.482
State foreign debt (US$ billion)	3.980	4.005	4.254

CSO: 4006/254

FINANCE AND BANKING

BRIEFS

BANK CREDIT INSPECTION--Zhejiang's Agricultural Bank and Credit Cooperative retrieved this October via credit inspection, more than 5.57 billion yuan in on-time, delinquent, and irrational loans, ensuring the purchase of agricultural byproducts, supporting the readjustment of the rural industrial structure and strengthening rural economic forces. This year the various agricultural banks and credit cooperatives have regarded and gone all out to undertake credit inspection as an important means to correct the orientation of its services and the unhealthy tendency of seeking private gain via the extension of credit and to promote rural economic development. The various regions, correcting problems as they encountered them throughout the inspection, energetically retrieved on-time, delinquent, and irrational loans. From January to October of this year, agricultural banks and credit cooperatives province-wide collected 2.11 billion yuan more than last year in this regard, which improved credit fund strength. At the same time, more than 5,658,000,000 yuan in agricultural loans of all kinds were extended, which was increase of more than 1.38 billion yuan over the same period last year. Of this sum, more than 400 million yuan in credit were granted to township and town enterprises and over 53 million yuan were extended to specialized households in October. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 6 Dec 85 p 1] 12221/13252

CSO: 4006/704

INDUSTRY

ANHUI: DEFENSE INDUSTRY'S CIVILIAN PRODUCTS COMMENDED

OW111430 Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Mar 86

[Text] The national defense industry system in our province has excelled in improving product quality. Last year, the system's 15 products for civilian use were designated as ministerial or provincial good-quality products.

In the last couple of years, the national defense industry system in our province concentrated its efforts on ever improving its product quality by strengthening basic management. It paid as much attention to the quality of industrial products for civilian use as for military products.

First of all, it established a strict quality standard for products. After the provincial national defense science, technology, and industry office and the relevant provincial bureaus examined the 11 provincial good-quality products produced by the national defense industry system in our province, official certificates were issued. Ad hoc quality tests showed that 5 of these 11 products approached or reached the international standard. The other 6 were up to the national advanced level.

Next, it made further efforts to improve its metrological work. A total of 264 measurement examiners of the system were mobilized to conduct technical examination, thus accelerating metrological work in military industrial enterprises. At present 11 military industrial enterprises in our province have reached the second best metrological standard.

In addition, all military industrial enterprises in our province have generally set up mass quality-control teams. This year, as many as five such teams attended ministerial or provincial meetings commending outstanding quality-control teams. Two of these five teams were evaluated as advanced collectives of the Ministry of Ordance Industry.

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INDUSTRY

HEILONGJIANG MILITARY ENTERPRISES SEE PROFIT INCREASE

SK050225 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 3 Mar 86

[Text] On the afternoon of 3 March, leading comrades, including Governor Hou Jie, of the provincial People's Government received in Harbin City the representatives of cadres, workers, technicians, and workers' family members in the local military industrial enterprises throughout the province, and fully acknowledged their achievements scored under arduous circumstances.

Since 1965, our province has begun to establish local military industrial enterprises. The eight existing munitions factories in the province are located in mountainous areas. The broad masses of staff members and workers in these factories have accelerated the pace of developing the economy and culture in these areas by carrying forward the spirit of waging arduous struggles, overcoming one difficulty after another, and by doing a good job in conducting production. In particular, the local military industrial enterprises in the province have increased more than 20 categories of civilian products since implementing the principle of ensuring the production of military products and turning their production into civilian products as much as possible. The output value of civilian products in 1985 accounted for more than 78 percent of their total output value. The four facotries have begun to make profits. The local military industrial enterprises throughout the province should strive to switch their losses to profits this year.

During the reception, Hou Jie and Chen Jianfei delivered speeches. Also attending the reception were responsible personnel including An Zhendong, vice governor of the province.

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CSO: 4006/806

INDUSTRY

SHANGHAI'S JIANG ZEMIN ON INDUSTRIAL PRODUCTION

OW030130 Shanghai WEN HUI BAO in Chinese 26 Feb 86 p 1

[Excerpts] According to a report by this paper, the Shanghai Municipal People's Government held a joint industrial productin work meeting on 25 February, analyzing the current industrial productin situation, coordinating solutions to problems that emerged, and calling on everyone to understand fully the importance and difficulty in fulfilling the production task for the first quarter of 1986.

Vice Mayor Zhu Zongbao presided over yesterday's meeting. Mayor Jiang Zemin attended and spoke at the meeting. It was pointed out at the meeting: Since the beginning of January, faced with a shortage of energy and raw materials and other difficulties, the broad masses of cadres, staff, and workers of the municipality's industrial departments have tried all means and worked hard to raise production in high fighting spirits. During the Spring Festival, approximately 1.2 million people worked overtime at the municipality's more than 900 factories, resulting in an increase of 100 million yuan in output value. After the festival, many enterprises and factories continued to work hard as usual, and mobilized personnel at all levels tried every way to organize production well. However, because of shortages of electricity, funds, and raw materials, as well as stagnant sales and reduced output, it was predicted that production will not be satisfactorily fulfilled in February.

In his speech, Jiang Zemin called on cadres to attach great importance to current production and not to be light-hearted. He said: Leading organizations at all levels should establish the ideology of serving the grass-roots levels; leading cadres should go deep into the grass-roots levels to strengthen regulating measures and solve problems in production; and all departments should strengthen their lateral contacts, support each other, and resolve the issues as quickly as possible without any delay if such issues can be resolved in Shanghai.

He said: It is necessary to distinguish between unimportant and important and between nonurgent and urgent contradictions in production, grasp the major points, and implement the measures. At the same time, it is necessary to strengthen the gathering and dissemination of information to enable the leaders to grasp the production trends in time.

Finally, Vice Mayor Zhu Zongbao expressed his opinions about the problems in production to which attention should be paid, and about the dividing line between enlivening enterprises and correcting unhealthy tendencies. He reiterated that the documents on economic reform previously handed down by the municipal government remain in effect.

Editor's note: Recently the industrial departments in Shanghai have encountered shortages of electricity, raw materials, and funds, as well as other difficulties, which have affected their production. We should be neither unworried, nor pessimistic and fearful about this. Instead, we should strive to overcome the difficulties with a positive attitude of struggling for progress. It is especially necessary for cadres at all levels of industrial departments to heighten their spirits, change their workstyle to a more practical one, go deep into the lower levels to study new situation and solve new problems, depend closely on the masses, adopt practical measures to serve the grass-roots levels wholeheartedly, help the lower levels resolve difficulties, raise production, and greet the convocation of the Fifth Shanghai Municipal CPC Congress with concrete actions.

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CSO: 4006/806

INDUSTRY

STEEL MILL EFFICIENCY INCREASED, REDUCING ENERGY CONSUMPTION

Beijing JINGJI RIBAO in Chinese 8 Oct 85

[Article by Cheng Yuan [4453 6678]: "Iron and Steel Industry Follows New Road in Conserving Industry While Increasing Output; Persists in Technical Transformation of Old Mills for Increase in General Production Capacity; Steel Output Increases 12 Million Tons in 6 Years While Total Energy Consumption Declines by 1.6 Million Tons of Standard Coal and Output of Products in Short Supply Increases Tremendously"]

[Text] Editor's Note: The metallurgy industry has proceeded from realities to use available mills to blaze a new trail in development of the iron and steel industry through the tapping of potential, technical transformation, and plant expansion . This experience has demonstrated that it is possible to increase output using little investment and achieve quick results by tapping potential and implementing technical transformation of existing mills.

It is noteworthy that the iron and steel industry underwent an initially unconscious but finally conscious process in taking this road. The metallurgy industry believes that this road was brought about by necessity. At a time when the CPC National Congress has called for control of investment in fixed assets for the sake of the overall situation, the taking of this road was also a "necessity" for some trades, areas and enterprises. We believe that individual sectors and units should act in accordance with the need to "discuss important matters, to understand the overall situation, and to look after one's own trade" see the situation clearly, and consciously take the road of producing much from little investment, allowing limited funds to play a greater role. [End of editor's note]

During the past 6 years the nation's iron and steel industry has increased steel output by 12 million tons while reducing energy consumption by more than 1.6 million standard tons of coal through the technical transformation of old mills, without adding any substantial new capacity. In 1984, the industry realized 10.9 billion yuan in profits and tax revenues, up 118 percent from 1978; product quality improved; and output of a variety of scarce products also increased fairly tremendously. Leading comrades on the State Council praised this as a new road in the development of the nation's steel industry.

In recent years, the nation's steel industry has focused closely on improving quality, increasing the selection of goods in short supply, reducing consumption, tapping potential to a greater extent, making a technical

transformation, adding to equipment, and enlarging mills. As of the present, it has completed 60 key technical transformation projects worth more than 10 million yuan.

In the course of the technical transformation, the industry has focused on key areas to work in stages and by groups, and to mount projects first that require little investment but produce quick results to fill gaps, complete facilities, spread useful skills and increase overall production capacity. Capital Steel Mill carried out a technical transformation of more than 40 pieces of existing equipment, and applied a number of energy-saving techniques to key links in production for a tremendous decline in energy consumption throughout the company. The Anshan Steel Mill persisted in a program of "major repairs when major repairs are necessary, small repairs when small repairs are necessary, and obligatory repairs when something is found in need of repair." As a result, in 1984 alone, technical transformation work was completed on 33 projects in a two-stage project for overall excellence. The Wuhan Steel Mill focused on solving problems concerning major support projects preliminary to iron smelting such as improvement of wharves, thorough mixing of raw materials, and in sintering.

The technical transformation of old mills has improved quality of the nation's iron and steel products while markedly reducing energy consumption. Output of sheet steel, steel tubing, ferrosilicon sheets and strip steel, all of which had been in short supply, reached more than 12 million tons, up 70 percent over 1978. Output of alloy and low-alloy steel increased very quickly as well, output in 1984 being 27 and 110 percent higher than in 1978. Today inspection standards for 117 steel products have been revised upward to meet advanced international standards, and production of 15 kinds of oil pipelines has been organized to meet international standards. Top quality processed steel from key mills already accounts for 45.5 percent of all processed steel output. In addition, overall energy consumption per ton of steel declined from the 2.52 tons of standard coal of 1978 to 1.78 tons of standard coal, bringing about a fine situation of increasing production while conserving energy.

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CSO: 4006/117

INDUSTRY

BRIEFS

YANG BO AT CONFERENCE--Beijing, 8 Mar (XINHUA)--"Light industrial production should first guarantee the people's basic needs in their daily lives, then only go on to satisfy consumer demand for high-end durable goods." This guiding thought for the development of light industry during the Seventh 5-Year Plan period was presented by Yang Bo, Minister of light industry, at the national conference of directors of light industry departments and bureaus today. Statistics show that during the Sixth 5-Year Plan period, light industrial departments put 480 billion yuan worth of commodities on the market, accounting for more than 36 percent of the total retail sales of consumer goods in China. The overwhelming majority of these commodities were meant to satisfy the people's basic needs for their daily lives. The introduction of these commodities into the market considerably changed the situation of 1980 when light industrial production could not match the people's needs in their daily lives, when there were inadequate supplies of goods on the market, and when many commodities were sold in limited amounts only to coupon holders. Yang Bo also stressed that light industrial departments should make greater efforts to improve product quality. [By reporter Gu Honghong] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1506 GMT 8 Mar 86 OW] /12913

XINJIANG INDUSTRIAL OUTPUT--The region's industrial output value for February was 480 million yuan, of which 415 million yuan was fulfilled by industrial enterprises owned by the whole people, and 64 million yuan by collective-run industrial enterprises. Of the 81 major products, the output of 48 products increased by different degrees over the same period last year, including television sets, canned food, cigarettes, dairy products, edible plant oil, cotton cloth, crude oil, steel, and aluminum. The region's industrial output value for January and February was 1.06 billion yuan, an increase of 7.39 percent over the same period last year. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Mar 86 HK] /12913

JILIN COLLECTIVE INDUSTRY--Jilin Province made a breakthrough in developing the collective industry during the Sixth 5-Year Plan period. In 1985, the total industrial output value of the collective industrial sector reached 4.804 billion yuan, an increase of 93.9 percent over 1980, showing an average annual increase of 14.2 percent. The proportion of collective industry to the province's entire industry rose from 19.2 percent in 1980 to 22.5 percent in 1985. In 1985, independent accounting collective industrial units earned 350 million yuan of profits and handed over to the state 320 million yuan of taxes. [Summary] [Changchun JILIN RIBAO in Chinese 12 Feb 86 p 1 SK] /12913

CSO: 4006/806

SMALL-SCALE ENTERPRISES

HUNAN ANNOUNCES MEASURES FOR TOWNSHIP ENTERPRISE DEVELOPMENT

HK120213 Changsha Hunan Provincial Service in Mandarin 2300 GMT 11 Mar 86

[Excerpts] The provincial government has decided to take the following measures to promote the development of the province's township enterprises:

1. Institute division of responsibilities between government and enterprises and expand the decisionmaking powers of these enterprises. It is necessary to help districts which have no such enterprises to launch these undertakings. The spark plan of the science and technology commission must be integrated with the technological transformation of the township enterprises.

2. The provincial CPC committee and government decided in 1984 to institute a favored treatment policy for the township enterprises. Beginning this year, a portion of the increase in industrial and commercial tax and income tax paid by these enterprises will be retained for the development of the enterprises. Under the premise of strengthening macroeconomic control, restrictions can be eased on technological transformation of the township enterprises and on floating capital loans. Loans for these enterprises will be increased by 200 million yuan this year. These should be issued in a timely way.

3. The township enterprises will be allocated a further 10,000 tons of steel this year from surplus production.

4. Except for the management fees charged by the township enterprise management departments in accordance with the regulations, no department is permitted to charge such fees under any pretext.

/9599
CSO: 4006/828

SMALL-SCALE ENTERPRISES

TOWNSHIP, TOWN ENTERPRISE FIXED-ASSET INVESTMENT DISCUSSED

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 23, 1 Dec 85 pp 21-23

[Article by Sun Ronghua [1327 2837 5478] of the Jiangsu Province branch bank: "Discussing the Issue of Controlling Township and Town Enterprise Fixed-Asset Investment"]

[Text] Since 1984, the issues of excessive township and town enterprise growth and fixed-asset investment growth have become quite prominent. This excessive growth has surpassed support capacity in such areas as funds, energy, and communications. If this situation continues to develop, it not only will further intensify supply shortages in energy and raw and processed materials and the communications and transportation load, but also will seriously impede the realization of state macroeconomic control plans, affect the steady, continued, and coordinated development of the national economy and be unfavorable to the successful accomplishment of economic reform. In order to solve the issue of excessive township and township enterprise growth rate it will be necessary to control the scope of township and town enterprise fixed-asset investments. Thus, I will discuss my limited view of the situation.

1. We Must Do What We Can To Stress Economic Results Township and Town Enterprise Development

Objective potential must not be exceeded in considering issues and handling affairs, and this goes for dealing with township and town enterprise growth, too. Statistics show that at the end of 1984, the Jiangsu Province township and town enterprise gross fixed-asset value had increased 1.6 billion yuan over 1983, equalling 1984' total township and town enterprise profits. Since we concentrated on quadrupling output value alone and neglected economic results, enterprise profit levels dropped, with 1984 profit created per 100 yuan of fixed assets dropping almost 10 percent over 1983, and 1984 total profits decreasing 300 million yuan from the 1983 figure. In 1985, the excessive growth momentum of township and town enterprise fixed-assets has indeed not abated. For instance, in 1984, fixed assets of Wuxi County's township and town enterprises increased 149.38 million yuan over 1983 and, during the first quarter of 1985, again increased 57.79 million yuan over 1984. By the end of May 1985, 23 of 95 newly approved projects throughout Wuxi County had invested over 1 million yuan each. The approved total

investment of these projects was 92 million yuan, but they actually need 128.22 million yuan in investment, and there is still a fund gap of 50.87 million yuan which cannot be solved. After completion, these projects will still need 75.19 million yuan in circulating funds in order to be put into full operation, with their total fund shortage being 125.86 [sic] million yuan.

Some comrades think that the only way for township and town enterprises to grow is by building new projects and opening new vendor's stands. Many areas have competed with each other in their township and town enterprise growth rate, resulting in more and bigger stands being opened. Stubborn opening of new stands and building of new projects has also caused the existing enterprise renewal and development fund deficit to grow. By the end of June 1985, the township and town enterprise renewal and development fund deficit in Yangzhou City's 11 suburban counties had reached a high of 76.53 million yuan, with that of Jiangdu County alone having reached 21.57 million yuan. The indiscriminate use of township and town enterprise special funds to build new projects has had a very bad effect on existing enterprises. Enterprises with large deficits in the special fund do not have the ability for self-transformation and self-renewal, and it is very difficult for them to exist and grow in the midst of intense market competition. Thus, township and town enterprise growth must not only take the route of exterior expanded reproduction alone, but should also tap transformation and reform potential. Indiscriminate opening of stands and unchecked expansion of production capacity is not only unfavorable to macroeconomic control, but may also result in a series of economic losses.

2. There Must Be Strict Examination and Approval Procedures for the Scope of Township and Town Enterprise Fixed-Asset Investments

Fixed-asset investments of state-owned enterprises are state-planned, but fixed-asset investments of township and town enterprises are uncontrolled, with all areas investing as much as they please. This is unfavorable for the overall balance of the entire national economy. Based on overall economic growth plans and potential in such areas as raw and processed materials, energy, and funds, national or provincial planning departments should study and formulate growth plans for township and town enterprise fixed-asset investments and distribute them to planning departments in all areas for control and execution. These plans should be directive. Some comrades think that township and town enterprises should grow naturally according to market supply and demand, and that using plans to guide them is out of the question and impossible. This does not correspond to present township and town enterprise reality. Past township and town enterprise production made use of local materials and produced and marketed on-site. Through growth over the past few years, most enterprises are far away from their raw materials sources and sales markets. They have expanded their scope of exchange, become integrated with local, domestic, and even international markets, and become gradually more socialized. Under these conditions, not improving planned guidance, but allowing them to grow unchecked, will cause economic losses. Thus, planned management of the scope of township and town enterprise fixed-asset investments based on macroeconomic requirements and through overall balance is quite essential.

Examination and approval work for township and town enterprise fixed-asset investments must be improved, and examination and approval procedures and jurisdiction must be enforced rigorously. At present, although all areas have some examination and approval stipulations for township and town enterprise fixed-asset investments, they are indeed not enforced rigorously and all investment is generally approved as submitted. Some local governments, planning commissions and economic commissions all have approval jurisdiction. This matter must be solved, and examination and approval jurisdiction should be centralized properly. Through examination and approval, control must be improved and orientation of township and town enterprise fixed-asset investments guided. When examining and approving projects, importance and urgency should be clarified, each case should be dealt with on its merits, and rational distribution should be stressed in such areas as raw and processed material supply, market demand, energy potential, fund volume, and investment results. Submitted township and town enterprise projects which are examined and approved must have funds fixed in advance and bank account comments and signatures.

3. Township and Town Enterprises Must Increase Their Fund Accumulation

Banks must give credit support to township and town enterprise growth, but the basic way to solve township and town enterprise fund problems is through enterprise self-accumulation. At present, township and town enterprises have many accumulation and distribution problems, such as too rapid growth of the consumption fund, too little enterprise-retained profits, and even the inability to replenish circulating funds. In 1984, Suzhou City township and town enterprise wage and bonus expenditures increased 73.5 percent over 1983, with many areas having exhausted their township and town enterprise accumulation funds and even being unable to make ends meet. By the end of 1984, Agricultural Bank and credit agency loans to township and town enterprises throughout Jiangsu had reached 3.66 billion yuan, or an increase of 120 percent over 1983; in addition, there were also over 800 million yuan of trust loans and over 1 billion yuan of funds raised by enterprises and introduced from other parts of China, with township and town enterprise debt having topped 5.4 billion yuan; rural funds were still in very short supply and many township and town enterprises were still constantly asking for increased credit. Under these conditions, bank and credit agency credit funds have been inadequate, and this matter should be stressed and solved as soon as possible. In order for township and town enterprises to gradually increase their fund accumulation, they must accomplish the following tasks: 1) they must control the growth of their consumption fund, which should not be higher than their profit growth; 2) according to stipulations, they must keep depreciation and general repair funds and replenish circulating funds, with annual replenishment of circulating funds being not less than 50 percent of net profits; 3) based on profit conditions, they must also keep a specific proportion of development and reserve funds. Overall rural planning should not be excessive, and most profits should be retained by enterprises. We should gradually achieve basic self-sufficiency in township and town enterprise circulating fund, with seasonal and temporary production fund needs receiving bank support, and some funds needed for expanded reproduction also being self-sufficient, thus ensuring sustained and steady growth in township and town enterprises.

4. Control of Township and Town Enterprise Loans Must Continue To Be Improved

Bank and credit agency loans to township and town enterprises must not expand unrestrictedly. The credit lever must be used to control and supervise them, spurring township and town enterprises to maintain a proper growth rate.

Management of loan targets should be improved. Township and town enterprise loan targets should still be directive, their scope should not be expanded without authorization and approval, and credit agencies should also work out township and town enterprise loan plans and report them for bank examination and balance. A proportion of township and town enterprise loans should be stipulated as fixed-asset loans, in order to better control township and town enterprise fixed-asset investment.

Fund proportions should be adhered to. According to stipulations, in order for township and town enterprise fixed-asset loans to be granted, enterprises must provide over 50 percent of their own funds and, in order for circulating fund loans to be granted, they must provide 30 percent to 50 percent of their own funds. This stipulation was not adhered to conscientiously in past credit work, with enterprise provision of their own funds being generally inadequate and some enterprises even not having any of their own funds. Future granting of loans must adhere to fund proportions, and those which do not should not be granted. All enterprises which were granted loans in the past but did not adhere to fund proportions must make up the deficiencies within a set time. Banks should stop granting loans to those that exceed the time limits in making up the deficiencies.

Loan examination and approval jurisdiction and deadline control should be enforced rigorously. Township and town enterprise fixed-asset loan examination and approval jurisdiction of banks at all levels must be stipulated. It is not permitted to grant loans beyond jurisdiction or to practice fraud. Deadline controls for loans must be practiced, loans must be recalled when due and overdue ones must be handled according to credit sanction stipulations, in order to improve the concept of enterprise credit and speed up fund turnover. At present, some township and town enterprise loans have been granted impetuously and cannot be turned over, and we must stress clearing up and recovering them.

5. Management of Township and Town Enterprise Fund-Raising Must Be Improved

Since rural fund supply and demand contradictions are quite prominent and the state has improved macroeconomic credit control and reduction township and town enterprise adoption of such forms as issuing stocks and bonds to raise funds has been a good way to solve fund problems and has helped to transform consumption funds into production funds. Over the past few years, Jiangsu township and town enterprises have raised approximately 800 million yuan in funds and the general situation is good. But relying on mass fund-raising to run enterprises is certainly unrealistic. Some enterprises have had poor economic results and have been unable to repay capital with interest on time, while others have practiced rigid apportionment and unsound fund-raising

procedures. Banks should guide and manage township and town enterprise fund-raising. The township and town enterprise general fund-raising method of issuing stocks and bonds is good, but fund-raising must uphold the principles of acting according to capability, repayment by the fund-raiser, voluntary participation, and mutual benefit. Fund-raising must not proceed according to fund needs alone, but must consider the ability of enterprises and the masses to repay. Reasonable fund-raising interest rates, dividend proportions, and repayment deadlines must be determined, the principle of voluntary participation must be upheld and coercive orders and rigid apportionment must not be practiced. Except for enterprise fund-raising from staff members and workers in their own units, social fund-raising must be approved by the departments concerned. With local banks as the agents, collected funds must be deposited in bank accounts and supervised. Special funds should be used for special purposes, and deposit fund repayment plans must be made according to stipulation, in order to ensure repayment on time.

12267/9869
CSO: 4006/637

CONSTRUCTION

BRIEFS

SHANGHAI MAYOR AT BAOSHAN MEET--According to a WEN HUI BAO report, a decision has been reached to basically complete the second-phase project of the Shanghai Baoshan Steel Complex in the Seventh 5-Year Plan. This decision was reached at the first work conference on the second-phase project of the Shanghai Baoshan Steel Complex that closed yesterday. Qi Yuanjing, minister of metallurgical industry, said that investment in the second-phase project of the Shanghai Baoshan Steel Complex is very huge, and therefore we must do our best to reduce expenses, and not to overrun the total investment amount allocated. Li Dongye, representative of the State Council, stressed that stringent quality standards must be applied in the construction of the Shanghai Baoshan Steel Complex, and that negligence in construction quality should not be allowed. Mayor Jiang Zemin attended the conference. [Text] [Shanghai City Service in Mandarin 0100 GMT 11 Mar 86 OW] /12913

JILIN PRIVATE HOUSING--In 1985, Jilin Province built 13 million square meters of private housing in the urban and rural areas, of which some 11 million square meters were residential houses for some 260,000 families. Most of the new private houses were built of bricks and reinforced concrete of good quality. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200- GMT 18 Feb 86 SK] /12913

HENAN GOLD-SMELTING PLANT--According to a report by YEJIN BAO [METALLURGY NEWS], the State Economic Commission has approved the establishment of a gold-smelting plant in Sanmenxia City, Henan Province. This plant, which will be the largest in the country, will play a vital role in increasing China's gold production. [Summary] [Beijing Domestic Service in Mandarin 0200 GMT 21 Feb 86 OW] /12913

CHANGCHUN AIRPORT BEING ENLARGED--The project to enlarge the Changchun airport at Dafangshen got underway in April 1985 as officers and men of a certain Air Force unit together with construction workers and project technical personnel from Jilin Province engaged in a valiant struggle. In only 4 months they completed the task of pouring more than 30,000 cubic meters of concrete. More than two-thirds of the main runway has been completed and forecasts call for a resumption of flights from it in November 1985. Large Boeing 707 passenger aircraft will take off and land here bringing to a close the era when large passenger aircraft could not take off and land at Changchun airport. [Text] [Changchun JILIN RIBAO in Chinese 19 Aug 85 p 2] 9432

CSO: 4006/117

FOREIGN TRADE AND INVESTMENT

CONFERENCE ON TOURISM OPENS IN HANGZHOU

Official Discusses Development Plans

OW151141 Beijing XINHUA in English 1119 GMT 15 Mar 86

[Text] Hangzhou, March 15 (XINHUA)--China will invest 13.2 billion yuan (about 4 billion U.S. dollars) to develop resources and improve facilities for tourism in the next 5 years, a Chinese tourism official told a conference which opened here today.

Li Hairui of the National Tourism Administration said at the China special tour program Hangzhou '86 that China will concentrate its manpower, materials, and finance on improving the facilities in the major tourist cities and regions.

These were enumerated as Beijing, Shanghai, Xi'an, Guilin, Hangzhou, Suzhou, Wuxi, Changzhou, Zhenjiang, Yangzhou, Nanjing, Guangzhou, and Hainan island.

In addition, efforts will be made to build and improve other well-known tourist spots and routes.

Li told the conference, attended by Chinese and foreign tourism officials, the central government has decided to list tourism in the state plan and allocate more money to this industry during the 7th 5-Year Plan period (1986-90).

He said the number of tourist hotel rooms will increase from 60,000 at present to 120,000 by the end of 1990.

CAAC, China's airline, will add over 70 more planes and open new air lines so as to alleviate the bottleneck in tourist transportation.

In addition, highways will be extended in major tourist cities and regions.

He added that a national tourism training center will be set up in Tianjin, and tourism training institutes will enrol more students.

China plans to receive five million tourists by 1990, as against three million in 1985, excluding compatriots from Hong Kong, Macao, and Taiwan who come to visit their relatives, he said.

About 15 million compatriots came to visit their relatives in 1985.

U.S. Travel Official Comments

OW161304 Beijing XINHUA in English 1201 GMT 16 Mar 86

[Text] Hangzhou, March 16 (XINHUA)--China is on the verge of becoming one of the world's major tourist attractions, a senior United States tourism chief said here today.

Joseph Hallissey, chairman of the American Society of Travel Agents (ASTA), added that there was "almost limitless potential" for the growth of tourist trade between the U.S. and China.

Hallissey was addressing 500 Chinese and overseas tourism experts attending a conference in this Zhejiang provincial capital on special tourist attractions.

He said that although China's tourism industry was only 30 years old, it had registered extraordinary growth.

He praised China's recent efforts to improve hotel, transport, and telecommunications facilities for foreign visitors.

The industry would expand more rapidly as such facilities continued to improve, and as more individual travellers visited the country.

For many years, Americans had avidly sought Chinese works of art, such as porcelain, silk, ivory, jade, and carpets.

"Now they want to see China for themselves," he said.

"Photographs and films of China show a landscape that seems carved out of jade, mountains straight out of an ancient painting, magnificent lakes and rivers reflecting ancient palaces and temples. And, of course, there is the Great Wall.

"Travellers returning from China have said the reality was more wonderful than their expectations," he said.

Hallissey told the participants that the U.S. was second only to Japan in sending non-Chinese tourists to China. He expected the number of U.S. visitors to China to grow rapidly.

ASTA is the world's leading travel industry association, with 22,000 members in 128 countries and regions all over the world.

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CSO: 4020/234

FOREIGN TRADE AND INVESTMENT

PERIODICAL REVEALS JANUARY TRADE STATISTICS

HK130757 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 13 Mar 86 p 3

[Article by Olivia Sin]

[Text] China suffered a mild setback in its exports in the first month of this year, partly because of the weak world oil market, according to customs statistics.

In addition, Beijing's restrictions on foreign exchange spending resulted in a 9 percent drop in the country's imports in January.

The figures reported by the state-owned BUSINESS INTERNATIONAL showed China recorded a trade deficit of U.S. $440 million in January.

The country reported a record deficit of $14.9 billion last year, based on customs figures, up sharply from about $2 billion in 1984.

Trade analysts said China's exports are likely to show a more drastic decline in the next few months if the slump in world oil prices is not reversed.

They also pointed out it is unusual for China to release monthly statistics, as it normally gives quarterly reports.

China exported U.S. $1.85 billion worth of goods in January, down 0.8 percent from the same month last year. Its import bill stood at $2.29 billion, representing a 9.1 percent drop.

Exports of petroleum products, its major foreign exchange earner, plunged 36.8 percent from a year earlier to 244,442 tons. Crude exports fell 2.5 percent to 1.93 million tons.

Other export items which suffered large declines included carpets, down 31 percent to 290,000 square metres; tea, down 17 percent; and canned food, down 22 percent.

But there were bright spots in China's export performance in January. Cotton shipments almost doubled to 37,400 tons while leather exports shot up 1.6 times to 767,000 tons.

Overall trade fell by 5.6 percent to $4.34 billion in January compared with the same month last year.

Trade analysts said it remained to be seen whether China's reduced export earnings will have a direct bearing on the country's purchasing power.

Chinese officials have reiterated that the country will continue to import necessary equipment and raw materials to aid its modernization programme.

The customs figures reflected official determination to contain imports of consumer goods. Imports of television sets were cut by 56 percent to 130,000 pieces and car imports were down by 62 percent to only 99,000.

Imports of chemical fertiliser were slashed by 83 percent to 120,711 tons and purchases of good items from abroad were down by 35 percent to 445,000 tons.

On the other hand, China substantially increased its imports of machinery and raw materials.

Machinery imports almost doubled to 554 pieces and the country bought 1.2 times more paper, 57,908 tons, in January compared with a year earlier.

Imports of aluminium and wool more than tripled to 30,000 tons and 4,790 tons respectively.

BUSINESS INTERNATIONAL said China's trade with Hong Kong grew by 0.9 percent to $850 million in the first month from a year earlier.

Overall trade with EEC countries and the United States also increased. Sino-U.S. trade rose by 1.8 percent to $470 million and trade with EEC grew by 16.3 percent to $530 million.

But China's trade with Japan, Russia, Canada, and Australia declined in January.

Two-way trade with Japan was down by 13.6 percent to $1.19 billion, the paper said. It gave no breakdown of imports and exports.

Trade with Canada went down by 33 percent to $93 million and with Russia by 2.9 percent to $104 million. No reasons were given for the decline.

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CSO: 4020/234

FOREIGN TRADE AND INVESTMENT

BRIEFS

INTERNATIONAL TEXTILE INDUSTRY EXHIBIT--Beijing, March 13 (XINHUA)--An international textile industry exhibition, the largest ever held in China, opened here today. Over 300 companies and manufacturers from 14 countries and regions display their textile and garment machinery, equipment, and instruments. The exhibition covers a total floor space of some 20,000 square meters. An official of the Chinese Ministry of Textile Industry told reporters that continuous efforts will be made to develop China's textile industry in the coming years so as to meet the growing demand of the people. During the week-long exhibition, dozens of technical seminars with different topics will be arranged for both Chinese and foreign technicians. [Text] [OW131040 Beijing XINHUA in English 1036 GMT 13 Mar 86] /9599

CSO: 4020/234

POPULATION

WANG WEI ATTENDS FAMILY PLANNING MEETING

OW050837 Beijing XINHUA Domestic Service in Chinese 1547 GMT 4 Mar 86

[By reporter Yu Changhong]

[Text] Beijing, 4 Mar (XINHUA)--A national meeting to commend advanced collectives and individuals in family planning concluded in Beijing today. The meeting adopted a written proposal to leaders of various fronts in various parts of the country, comrades engaged in family planning work, and those supporting the work. The proposal says: With the beginning of the Seventh 5-Year Plan period, family planning work in our country has entered a new, important stage in which there may be another record number of births. We must grasp production and family planning while building material and spiritual civilization. We must unswervingly practice family planning as our basic national policy in order to keep the population under control and to improve its quality. We must further improve our family planning policy and work style and improve family planning work.

The commendation meeting was held at a time that remarkable progress had been made in family planning throughout the country. During the Sixth 5-Year Plan period, especially in the past two years, various localities have conscientiously implemented the guidelines set forth in the central authorities; relevant documents, followed the correct principles guiding professional work, made further efforts to improve their family planning policy and work style, and adopted a cooperative attitude. As a result, the masses have raised their awareness of family planning. The average annual population growth rate in our country was 2.18 percent in the 1950's, 1.8 percent in the 1960's, and 1.91 percent in the 1970's, and dropped to 1.17 percent in the first half of the 1980's. At the same time, party and government departments at various levels, as well as family planning organizations, have tried hard to do practical work for the masses and to solve relevant problems reasonably. This has effectively kept the population from increasing too fast, strengthened ties between the party and the masses, and promoted stability and unity.

The meeting lasted four days. Wang Wei, minister in charge of the State Family Planning Commission, and representatives of more than 30 advanced collectives and individuals spoke at the meeting.

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CSO: 4006/809

TRANSPORTATION

BEIJING AVIATION BUREAU TO MODERNIZE AIRLINER FLEET

HK140416 Beijing CHINA DAILY in English 14 Mar 86 p 1

[Article by staff reporter Wang Gangyi]

[Text] Beijing Aviation Bureau, the largest regional office under the Civil Aviation Administration, is set to buy 20 modern jet airliners from foreign countries over the next five years to further upgrade its fleet.

An official from the bureau announced in Beijing yesterday that the jetliners would be bought through a leasing and loan purchase arrangement.

At the same time, the official added, the bureau would withdraw 12 obsolete planes from service.

The Beijing bureau runs 80 percent of China's international air routes and has 12,000 workers, over 25 percent of the country's total aviation workforce.

The bureau's Deputy Director Wang Jiwu told CHINA DAILY yesterday that from 1980 to 1985, his bureau phased out nine obsolete planes and bought and leased a number of modern aircraft.

"At present the bureau is equipped with 48 planes, including 35 passenger planes," he added.

According to the deputy director, by the end of last year the bureau had opened 23 international routes linking the Chinese capital with Hong Kong and 23 large cities in 20 foreign countries.

During the same period, the number of its domestic routes increased to 42 and its air routes now total 248,000 kilometres, he added.

Last year, the bureau's total transport volume reached 2.3 billion ton-kilometres (one ton-kilometre is one ton of goods carried over one kilometre), 3.2 times that of 1980.

In 1985, the cost and income of one ton-kilometre stood at 1.04 yuan and 1.59 yuan respectively, increases of 8 and 25 percent over 1980. The 1985 profit was 5.7 times greater than that of 1980, the deputy director said.

During the past five years, 21,199 people from the bureau received general and technical training in 624 courses, Wang said. But he added that despite the achievements, his bureau was suffering from poor management and service, outmoded maintenance and communication facilities and a lack of technical staff.

He said that to tackle these problems, the bureau had planned to boost its work force by 5,000 people, including 150 pilots, 150 maintenance staff, 150 communication workers and 500 attendants. Technical renovation and replacement of backward facilities would also be speeded up.

The bureau is to invest 310 million yuan over the next five years to upgrade its navigation, communication and maintenance equipment.

At the same time, the bureau will spend more than 220 million yuan on expanding its airport buildings, oil depot and training centres.

Wang stressed that management reform, ensuring safety and improving service remained the three major tasks of his bureau.

Under a management reform plan last year, CAAC (Civil Aviation Administration of China), which was the national carrier, was split up into regional aviation bureaus with greater decision making powers, including the right to do business deals with foreign countries. Local airlines could also be set up with the approval of CAAC, which will retain its regulator function in civil air transport, setting standards of airport facilities, aircraft, pilots and ground personnel.

All aircraft must be insured by the Chinese People's Insurance Company and in case of accidents must permit CAAC safety inspectors to investigate the cases. Wang said that his bureau's reform programme was still being prepared.

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CSO: 4020/239

TRANSPORTATION

PROBLEMS IN DOUBLE-TRACKING GUANGDONG LINE REPORTED

HK140729 Hong Kong SOUTH CHINA MORNING POST in English 14 Mar 86 p 12

[Article by K. C. Tsang]

[Text] The difficulties encountered in laying a double track on the Hengyang-Guangzhou section, one of China's main links between the north and southern provinces, shows the gigantic task the country faces in modernising its outdated railway network.

Despite the strategic importance of the section and heavy passenger and freight demands, the double-track operation between Hengyang and Guangzhou was halted completely last year.

Technical problems, a shortage of money and lack of coordination between state-owned organisations in Hunan and Guangdong provinces were said to be the main factors delaying progress on the urgent project.

The project to double track this 526-km section began in 1978 as part of a massive plan to upgrade the entire rail route from Guangzhou to Beijing.

The Hengyang-Guangzhou line straddles Hunan and Guangdong, and is one of the busiest lines in the country.

Construction reportedly resumed in earnest in January after efforts were made by the central authorities to reorganise the work team. The order went out go get the people involved moving ahead at full steam.

Passengers travelling to Guangzhou from places such as Beijing and Hangzhou in December saw that construction had been halted when the train set off southwards from Hengyang station in Hunan.

Common sights along the stretch were incomplete bridges at river crossings and unfinished tunnels in the hills. Many of the sites were unmanned.

Farm houses and paddy fields were still standing in some areas scheduled to be cleared for the second track.

The Guangdong railway authorities are responsible for laying the double track between Hengyang and Guangzhou.

An official in charge of construction, who is attached to Shaoguan City in northern Guangdong near the border with Hunan, told the masscirculation YANGCHENG EVENING NEWS published in Guangzhou recently that the project was only 40 percent complete.

The present single track is inadequate and has caused a severe bottleneck affecting freight transport between Guangdong and other provinces.

Five million tons of freight have to be transported in and out of Guangdong by alternative means each year because of the single track, according to official estimates.

The problem over the shortage of money for construction was not resolved until December last year when Beijing officials held a meeting in Guangzhou to investigate the causes of delay. The investigation was launched after work had been halted for several months.

Finance of 125 million yuan (HK$312 million) has been committed for the first quarter of this year. The total funding for the year is expected to top 600 million yuan (HK$1.5 billion).

Labourers have been ordered from Hunan and Guangdong to speed the project, which is scheduled for completion in 1988. A coordination centre has also been set up at Shaoguan to supervise progress.

A directive issued by the authorities says all state units are required to "obey orders" from the centre in supplying manpower and other resources.

Now 4,000 are at work following a revamp of the working schedule.

The need to accelerate construction was emphasised again at the national railway working conference held in Beijing last month.

Tunnelling in Dayao and Nanning mountains has posed a great technical problem--causing another delay.

The Dayao tunnel will be 14.3 km long. Although 12 km has been completed, work on the remaining two kilometres has been hampered by underground water and a fault in the earth. The problem with the Nanning tunnel is said to be caused by unstable lava caves.

It was resolved at the working conference last month that the entire tunnelling work at the two sites must be completed before the end of this year.

Extra expertise has been drawn from other sources in China to help beat the technical problems.

The topography of the region has caused many difficulties in the double-tracking programme. Many complications have had to be ironed out.

The construction includes the building of 61 tunnels and 124 bridges and alterations to 51 stations.

More money is not enough on its own. The railway authorities are also seeking advice from experts outside the railway industry to help beat the technical problems.

Upgrading the entire Guangzhou-Beijing section will not only be significant for internal freight and passenger transportation for China, but will make the proposed through train service between Hong Kong and Beijing much more comfortable.

The idea of operating such a service has been discussed between the Kowloon-Canton Railway Corp. and the Chinese rail authorities. However, no plan has been finalised to launch the service.

China also has long-term plans to electrify the increasingly over-burdened Shenzhen-Guangzhou section. Double tracking of this line is expected to be completed this year but it is doubtful that electrification will be completed in the current five-year plan. Last month's working conference made no mention of the project.

A feasibility study is also being conducted on a railway line linking Guangzhou and the Zhuhai Special Economic Zone across the border from Macau.

The study, being conducted by the central railway authorities with assistance from Guangdong province, is looking into the possibility of linking Zhuhai with the Guangzhou-Foshan section, ultimately extending to Macau.

There are also plans to add more lines to southern China, but given the limited resources, apart from manpower, modernisation of China's country-wide network of railways will have to move at a moderate speed, especially in the area of electrification which involves a great deal of money.

Electrification of the country's rail network will be realised next century, while priority is being given to renovating existing tracks with emphasis on adding new lines, double tracking and upgrading rolling stock.

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CSO: 4020/239

TRANSPORTATION

OCEAN SHIPPING COMPANY INCREASES BUSINESS, PROFITS

HK180835 Beijing CHINA DAILY in English 18 Mar 86 p 2

[Article by staff reporter Chen Zhisong]

[Text] Caina Ocean Shipping Company Agency (PENAVICO) [expansion unknown], officially designated to handle both the country's domestic and overseas shipping business, has fulfilled its transportation and financial plans and registered profit gains in three successive years.

"For several years, our business has increased continuously following steady development in the country's foreign economic relations, although the world shipping industry is generally in a slump," Chen Zhonglu said when he addressed PENAVICO's fourth national work conference which began yesterday in Beijing.

Chen, deputy director of the shipping agency, attributed the agency's progress to the success of business reforms and the surge in foreign trade resulting from the open policy.

In 1985, PENAVICO oversaw 31,288 ships with a net tonnage of 162 million tons and cargo volume of 136 million tons, the most in the agency's history. It had a 12.5 percent increase in profits in 1985 compared with the previous year.

Last year, PENAVICO received 8 200 businessmen, 315,000 foreign seamen and 19,600 persons helped to return to their countries or sent on to their destinations.

The agency believes that the best way serves [as published] the country's fleet is to provide it with enough cargo.

According to incomplete statistics, the agency has obtained 1.80 million tons of cargo for the country's ships, and has set up long-term supply-transportation relations with many provinces and cities.

It has tied to strengthen the on-the-spot management in its branches in various ports in order to implement the country's transport quotas.

Meanwhile, PENAVICO provided good service for its foreign agents. Last year, some 70 percent of the ships it handled were foreign ones.

Chen said that PENAVICO has always tried to keep pace with the latest developments in international shipping. Containerized and combined transport methods have become common in the agency's business.

PENAVICO last year handled 448,000 standard containers, with total cargo weight of almost 3 million tons.

Fertilizer bagging is also a newcomer in the company's business catalogue. Since 1983, the agency has arranged for a million tons of fertilizer to be bagged business, resulting in large savings of foreign exchange. [sentence as published]

PENAVICO also plans to pen a bagging service for aluminum power.

Cao Zhang, manager of the agency's business department, told CHINA DAILY that the agency now boasts 38 branch offices in various ports compared with 26 three years ago.

Business ties have [been] set up with all domestic shipping companies and over 1,000 shipping, cargo-transport, trading, industrial, commercial and financial interests in 100 countries and regions.

The six-day conference is to review the work of the past and to forge new development plans.

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TRANSPORTATION

BRIEFS

SHIPPING COMPANY EXPANDS SERVICES--Beijing, March 17 (XINHUA)--The China Ocean Shipping Company Agency now offers services to more than 100 countries and regions. The shipping company has established business relations with more than 1,000 shipping, transport, trade, industrial, commercial and financial companies and organizations. Despite a long depression in the international shipping service, China's shipping agent service increased, accommodating 31,200 foreign vessels with 130 million tons of cargo, setting a record last year. Chen Zhongbiao, deputy general manager of the China Ocean Shipping Company Agency, said at a meeting here today that container transport and through transport are new services with strong vitality. In addition to agent service, the company also undertakes other services, including canvassing shipping orders, storage, ship rent and repairing. Domestically, the company has 38 branches, which provide services to 73 shipping companies and other foreign trade organizations in the country. Chen said his company will make further efforts to improve management and provide better services to ship owners, seamen and clients. [Text] [Beijing XINHUA in English 1043 GMT 17 Mar 86 OW]

EXPRESS TRAIN SERVICE TO BEGIN--Beijing, March 16 (XINHUA)--Passengers travelling from Beijing to Shanghai or vice versa will spend two hours less than usual on the road as two special express trains will shuttle between the two cities next month. A spokesman for the Ministry of Railways said the special train will take 16:59 hours to cover the 1,462 kilometers as against the 19:01 hours at present. [Text] [Beijing XINHUA in English 0700 GMT 16 Mar 86 OW]

NEW AIR ROUTES OPENED--Shanghai, March 15 (XINHUA)--Seven through air routes will be opened by the Shanghai Administration of the Civil Aviation Administration of China (CAAC) this year. They are Shanghai-Guilin-Nanjing, Nanchang, Xiamen, Hefei-Hangzhou-Fuzhou, Hefei-Fuzhou, Jinan-Zhengzhou-Xi'an, Guangzhou-Changzhou and Shanghai-Xiamen-Guizhou routes. These routes will be served by returned flights starting from tomorrow. [Text] [Beijing XINHUA in English 1838 GMT 15 Mar 86 OW]

NEW AIR ROUTES--Guangzhou, March 14 (XINHUA)--Two through air routes from Guangzhou to Liuzhou in Guangxi Zhuang autonomous region and Changzhou in Jiangsu province, are open for service. Liuzhou is a major industrial city in Guangxi. The 435 km route is served by return flights every Tuesday and Friday. The Guangzhou-Changzhou flight leaves every Thursday and returns the same day. The air route between the two cities is 1,216 km. [Text] [Beijing XINHUA in English 1307 GMT 14 Mar 86 OW]

NEW TRAIN BEGINS IN APRIL--Guangzhou, March 7 (XINHUA)--A new passenger train will go into service between Guangzhou, Guangdong Province, and Kowloon in Hong Kong early next month, a local official said here today. Approved by the State Council, China's highest governing body, the train will increase to four the number of round-trip trains on the 183-kilometer line. More than 1.65 million passengers traveled the distance last year, 450 percent more than in 1979, when entry to the mainland was eased for Hong Kong residents. [Text] [Beijing XINHUA in English 1943 GMT 7 Mar 86 OW]

CAAC TO BUY AIRBUSES--Paris, March 19 (AFP)--China intends to buy two long-range Airbus A-310-300 models, though no contract has yet been signed, a French aviation source said here Tuesday. The Civil Aviation Administration of China (CAAC) has already bought three earlier airbus models, the medium-range A-310-200, two of which have been delivered. The 310-300, which has already been ordered by six airlines, has a range of 8,500 km (5,000 miles) compared with 5,200 kms (3,000 miles) for the medium-range model. The airbus is built by a European consortium, in which the largest participants are France and West Germany. [Text] [Hong Kong AFP in English 0522 GMT 19 Mar 86 HK]

HONG KONG FLIGHTS INCREASED--Nanjing, 7 March (ZHONGGUO XINWEN SHE) -- As from 6 March, flights from Nanjing to Hong Kong were increased from two to three per week. The additional flight leaves Nanjing at 0830 every Thursday and returns to Nanjing from Hong Kong at 1330. The original flights every Tuesday and Saturday remain unchanged. Spring is very much in the air in March in South China. The additional flight will bring more foreign visitors to see the enchanting spring scenes in the ancient capital of Jinling. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1338 GMT 7 Mar 85 HK]

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CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

PROSPECTS FOR EXPANDING TRADE WITH USSR, EASTERN EUROPE

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 4, Jul-Aug 85 pp 31-35

[Article by Hong Xi [3163 3556]: "Prospects for the Development of Economic and Trade Relations with the USSR and the East European Countries"]

[Excerpts] In the early years after establishment of the PRC, China had engaged in comprehensive economic and trade cooperation with the USSR and all the socialist countries of Eastern Europe. During the first 10 years, about three-quarters of China's total import-export trade was with the USSR and the East European countries. Our guiding principle had been to conduct energetic cooperation on the basis of equality and mutual benefit, in a practical and realistic way and based on a spirit of integrating patriotism with internationalism. Our trade relation with these countries had been developed according to actual requirements and capabilities, and in the 1950's already, more than 200 enterprises were transformed or newly established in a cooperation between China and the USSR and the East European countries. During the period of the First 5-Year Plan, China imported from the USSR 156 complete sets of equipment, including items for enterprises in the metallurgical, machine-building, automobile, coal mining, petroleum, electric power, telecommunications and chemical industries, which played an eminent role in China's socialist construction and in laying the initial foundation for China's heavy industry. China also imported other items of machinery, equipment and important materials from the USSR and the East European countries. China, in turn, supplied these countries with certain important materials needed by them, such as products of the light and textile industries, soybeans, rice, edible vegetable oils, nonferrous and rare metals, which was also of great assistance to the USSR and the East European countries in their economic construction and in satisfying the requirements of their markets. Chinese-Soviet bilateral trade in 1959 amounted to 1.849 billion rubles. Later, due to well-known political factors, this trade declined considerably, but started a gradual recovery since the beginning of the 1980's. Some estimate that the amount of Chinese-Soviet bilateral trade during the 5 years from 1986 to 1990 will reach $20 billion. They estimate that with annual increases, the bilateral trade can be expected to reach amounts of over $5 billion per year by the end of the 1980's. These estimates are not without a certain foundation. In the following, a few roughly

conceived views will be expressed as to the prospects of developing economic and trade relations with the USSR and the East European countries.

I. Actual Possibility of Developing Trade with the Soviet Union and the Countries of Eastern Europe

In the international market, differences exist between the various countries in such respects as their economic, political, cultural and social systems. This fact must have our serious attention. An analysis and study of these factors is extremely necessary now that China is developing economic and trade relations with the USSR and the East European countries in a planned, step by step and tactical way.

With regard to the economic factor, the Soviet Union is a large socialist country with a vast territory, a population of more than 200 million, rich natural resources and of great economic strength. In recent years, the distribution of the Soviet industry is in the process of shifting to the east, because the USSR's western parts have been developed earlier, and exploitable resources have already or will soon be exhausted, while the basic natural resources of the Soviet Union are now distributed in the eastern parts. This situation compels the USSR to shift the center of its economic development to the east. Thus, the Central Asian region will gain an extremely important strategic significance for the Soviet Union. The entire Central Asian region borders on China with a 7,300-km frontier and excellent communications by land and water. The eastward shift in the distribution of Soviet industry provides an extremely favorable opportunity for the expansion of Chinese-Soviet trade, a phenomenon that deserves a good measure of our attention and must be effectively exploited.

Beginning in the 1960's, political factors started to adversely affect Chinese-Soviet bilateral trade, which remained at an abnormally low level all the time thereafter, an unfavorable circumstance for both sides. Although some recovery and development have occurred in the last few years, the proportion of this trade to the total foreign trade of each of the countries is insignificant (see the following table).

Table: Proportion of Chinese-Soviet Trade Within Each Country's Total Foreign Trade (%)

Year	China	USSR
1980	1.3	0.3
1981	0.6	0.1
1982	0.7	0.2
1983	1.7	0.3

The table shows that although some recovery and development have taken place in Chinese-Soviet trade relations, it is still very limited in volume. Further favorable conditions must be created to develop the huge potential that exists in the mutual trade relations between the two countries.

With regard to political factor, the Soviet Union as well as the countries of Eastern Europe are by character socialist countries. Currently, some differences of principle on certain questions still exist between China and the USSR and the other countries, and trade developments between these countries will thereby of course suffer restrictions and adverse effects. However, even with a radical improvement in the political relations between China and the USSR hardly possible within the near future, the possibility exists of further improving bilateral economic and trade relations. When recently interviewed by Hong Kong and Macao reporters in Beijing, Comrade Hu Yaobang said: "We are sincere in our willingness to improve relations with the Soviet Union. China has always stood for the establishment of friendly relations with every country on the basis of the Five Principles of Peaceful Coexistence; why should it not be possible to establish good-neighborly, friendly relations with a socialist country with which China shares the longest common frontier? Our policy of opening up to the outside world proposes opening up not only to the Western capitalist countries, but also to the socialist countries and the countries of the Third World." When he met Vice Premier Li Peng on 14 March this year, General Secretary Gorbachev reiterated the hope that Soviet-Chinese relations will achieve important improvements. Current Chinese-Soviet relations are abnormal, but both sides desire improved relations. Once a radical improvement will have been achieved, much broader prospects will be opened up for the development of bilateral economic and trade relations. Moreover, China's relations with the countries of Eastern Europe are also gradually improving, and economic and trade relations are in the process of an ongoing smooth development.

With regard to the cultural factor, a traditional friendship has always existed between the people of China and the peoples of the Soviet Union and of the East European countries. The ideology, the cultural and educational level, and the social customs and habits have a very deep influence on the purchasing mentality and activities of consumers on both sides. In the 1950's, close contacts between China and these countries, frequent cultural exchanges, comprehensive economic and technical cooperation as well as government-to-government trade according to trade agreements, enabled the Chinese to gain a good understanding of the Soviet and East European markets, while the consumers in those countries were traditionally very fond of many Chinese commodities. Chinese foodstuffs, textiles, and handicraft products enjoyed a high reputation in those countries. The consumers were less demanding than consumers in the Western developed countries, and Chinese commodities were extremely well suited to their markets and selling well. It is for these reasons that the market of the Soviet Union and of the East European countries is one of the largest potential markets for China.

With regard to the social factor, China has for a long time conducted trade by government-to-government trade agreements with the Soviet Union and the East European countries. To further develop reciprocal barter trade is the common desire of the Soviet Union, the East European countries and of China. Because each of the participants is short of free foreign exchange, it will be possible for each side, with a mutual relaxation of trade requirements, to obtain what it needs without the use of free foreign exchange. For instance, as early as March 1983, when the Polish state trade delegation, led by Polish Undersecretary of Foreign Trade W. Gwiazda, inspected the province of Jiangsu,

the delegates repeatedly expressed the hope that some of the products manufactured in Jiangsu Province could be obtained by Poland in a barter trade.

After the war, speedy economic recoveries and developments were achieved in the five East European countries of Czechoslovakia, Hungary, Poland, the GDR and Bulgaria, but these countries are poor in natural resources, short of manpower and rely heavily on foreign trade. Since the 1970's, there has been a gradual upward trend in China's economic and trade relations with the countries of Eastern Europe. In 1984, China's trade with the said five countries amounted to about $900 million, an increase of 80 percent compared with 1981, but this represents still only a very small proportion of China's total foreign trade. There exists, therefore, a very large potential of better economic and trade relations with these countries. In the last few years, China is employing a variety of different flexible trade patterns in the trade with these countries, such as processing of imported materials, processing and assembly work, cooperative production, joint financing and managing, compensation trade and cooperation in third world markets, and there are bright prospects for a further development of such cooperation in the future.

These four factors are external conditions that influence the development of China's economic and trade relations with the Soviet Union and the countries of Eastern Europe. They present us with real possibilities, as long as we show ourselves able to study the markets of the Soviet Union and Eastern Europe, and as long as we avoid anything detrimental and take advantage of whatever is favorable. We shall then be able to gradually turn the possibility of further developments in trade with the USSR and the East European countries into a reality.

II. Correspondence of Markets and Demand Between China and the USSR/East European Countries

There is a difference in markets and demands between China and the USSR and East European countries brought about by such different factors as population, living standards, geographical location and level of production as well as industrial structure and consumption habits. The existence of these objective factors is the foundation on which to develop mutual economic and trade relations.

The Soviet Union is one of the economically and technologically strongest countries in the world, while China is the world's largest socialist developing country. One can indeed assert that there is great potential for development of economic and trade relations between China and the Soviet Union on the basis of equality and mutual benefit. Currently, there are certain differences in the level of economic development of China and the Soviet Union, and also many differences in the structure of their industries and composition of their export commodities. The Soviet Union is far superior in the production and export of capital- and technology-intensive products, since it has a modern industry, a highly developed science and technology, and a powerful war industry. The USSR is capable of sending its astronauts into space but is unable to provide its people with certain articles for daily use, while China has by now a definite industrial foundation and exports industrial

products, but concentrates much on labor-intensive products. Both countries have their particular strong points in key elements of production; China has abundant foodstuffs and excellent products of the light and textile industries, precisely the products that are in short supply in the Soviet Union. In the current international market there is an especially fierce competition for these products, and strict quota systems are being instituted in all European and American markets. Though there are no quota restrictions in the Japanese and Hong Kong markets, the consumers there demand very high standards of quality; they are extremely selective in these commodities. On the other hand, demand for consumer goods in the USSR and the East European countries is large, and as regards quality, demands are comparatively low, so that medium and low-quality goods still find a ready market. For instance, notwithstanding unsatisfactory sales of Chinese garments in the West European market, Chinese "Friendship" brand shirts are wildly snatched up by customers in the "Shen-ka-la" [phonetic] Bazaar in Budapest. An official of the Hungarian trade agency said: the shirts are of good quality and cheap, therefore competitive. Similar men's shirts made in Italy cost 400 florint, those made in Yugoslavia 380 florint, while the Chinese cost only 260 florint, which is why the Hungarians prefer the Chinese goods.

The USSR and the East European countries have a very well developed industrial foundation and advanced technologies; they have not only well developed traditional industries covering the whole range of iron and steel, chemical engineering, automobile and machine-building, but also extremely well developed nascent industries such as electronics, aeronautics and nuclear industries. Although the key elements of production cannot be moved about between China and the Soviet Union/Eastern Europe, it is possible that through trade and economic and technological cooperation each country brings the superiority of its key production elements to bear, exploits the potential in the corresponding markets, and satisfies the demands of the corresponding markets, which would be profitable for all concerned. A theory of international trade states that the wider the difference between two countries in their economic development, the more different they are in production structure and composition of export commodities, the more opportunities for the development of economic cooperation and trade relations between the two countries, and the greater the profits from such cooperation.

IV. Effective Measures To Accelerate Development of Economic and Trade Relations with the USSR and Eastern Europe

As economic construction proceeds in China and in the USSR and Eastern Europe, there is an almost daily increase in the objective possibilities and the subjective demand for a mutual expansion of the scope of economic, trade and technological cooperation. It is now urgently necessary to employ certain comparatively flexible and more effective trade measures to accelerate the development of economic and trade relations with the USSR and the East European countries.

First, on the premise of adopting a unified stand toward the outside, permission may be given to local entities to make their own barter trade arrangements with the USSR and Eastern Europe. The initiative of local entities and enterprises to employ effective measures should be fully brought

into play, and all provinces should be encouraged to take up trade with the Soviet Union and the East European countries. Based on the principles of self-responsibility for profits and losses, of reaching their own trade balances and of operating their own accounts, every province should organize its own sources of export commodities and carry on its independent business operations. For instance, Jiangsu is a province with a fairly well developed industrial and agricultural production base, abundant sources of export commodities, very rapid foreign trade development during the last few years, but with a small volume of exports to the Soviet Union and Eastern Europe. The main reason for this is that there is a government-to-government trade accounting, which requires that exports and imports maintain a balance, while the import units are disinclined to order goods from the USSR and the East European countries because of their inferior quality, which fact, in turn, restricts Chinese exports to the Soviet Union and the East European countries. Actually, the potential of the Soviet and East European markets is considerable; China has many commodities suitable to meet the needs of the Soviet and East European markets, while the Soviet Union and the East European countries also have many commodities that are suitable for the Chinese market. In its "Summary of a Trade Investigation Tour of Four East European Countries," a Shanghai trade delegation to Eastern Europe pointed out: "The earlier view that products manufactured in East European countries are of inferior quality and highly priced is a misconception. Our investigation has shown that as far as textiles, metallurgy, construction, and municipal engineering items are concerned, some of their products are of distinctive technology and in the forefront internationally, while the efficiency of some of their products is equal to famous brand-name products of Western Europe and suitable for use in China. Comparing prices, they are also 20 to 60 percent cheaper than similar products manufactured in Western Europe." It is therefore necessary to institute local barter trade with the Soviet Union and East European countries, a trade that has also great developmental prospects. The key is for us to break through the present methods and institute barter trade between local entities and the USSR and East European countries as a complement to formalized government-to-government trade. On the premise of not weakening or clashing with official trade-by-agreement, the local entities shall conduct trade on the principle of import volume determining export volume, balancing imports and exports, uniform pricing, and self-responsibility for profits and losses. Using the larger foreign exchange receipts than would be received from exports to capitalist countries, to subsidize the purchasing units for larger losses from imports than would be incurred from imports from capitalist countries, would stimulate enthusiasm among purchasing units to import more from the Soviet Union and East European countries and would correspondingly promote expansion of exports to the Soviet Union and Eastern Europe.

Second, to accelerate development of economic and trade relations with the USSR and Eastern Europe, in addition to stimulating the enthusiasm of central and local foreign trade departments, we must also provide some support for official policies such as reduced import duties, relaxation of certain import examination and approval procedures for certain market commodities, low interest loans by banks for the importation of equipment from the USSR and East European countries, and other such measures.

Third, we must strengthen economic and technological cooperation and joint contracting for engineering projects. In the 1950's, the Soviet Union and the East European countries were our major partners cooperating in the importation of technology and equipment. They have many intermediary technologies, items of equipment and fairly advanced traditional production techniques which are extremely useful for China, among which are several items which China intends to develop on a large scale. Following economic and scientific-technological development in China, and under the condition of expanded economic and trade relations with the Soviet Union and Eastern Europe, using only the current trade forms will hardly be adequate to satisfy requirements; we must consider employing more effective and more flexible forms of trade and cooperation. First, we must strengthen economic and technological cooperation to achieve an integration of trade with the importation of technologies, cooperative production, and joint exports. We must gradually restore the past level of cooperation and even advance beyond it. The Shanghai trade delegation had suggested: "Launching economic, technological and trade cooperation with the countries of Eastern Europe would be beneficial for the economic development of both sides. Czechoslovakia, East Germany, and other countries hope they will be able to use Shanghai's manpower, technological strength and the favorable condition of its trade channels and shipping facilities to Southeast Asia for cooperative production and joint exports. As long as there is no basic conflict with Chinese export commodities, this might be considered. For instance, the Czech compact tractor, rice harvester, and other foreign trade commodities, China could handle as their sales agent in Southeast Asia, and it is suggested that the departments concerned study the matter and take up contacts wherever good prospects exist and explore the possibilities."

Fourth, during the period of the Seventh 5-Year plan, China faces the important task of the technological transformation on a large scale of presently existing enterprises. Among these, there are more than 200 large-scale enterprises built up during the 1950's with assistance from the Soviet Union and Eastern Eurpoe. Importation of comparatively advanced production techniques, technologies and equipment from the Soviet Union and the East European countries would be very suitable for the transformation of these enterprises. Moreover, now that China has opened up 14 coastal cities and the importation of foreign capital is being vigorously pursued, we must preent the opportunity to enter China's investment market not only to the West; this great door must also be open to the Soviet Union and the East European countries. We would furthermore welcome competition among themselves for entry into the Chinese market. The fiercer the competition among the various countries, the more selective China can be and the more China will benefit.

To sum up, in view of the economic strength and potential in the relations between China and the USSR and East European countries, there is an extremely bright future for the development of these economic and trade relations. Both sides must build on the current foundation in exerting efforts to accelerate the development of mutual economic and trade relations, which undoubtedly will benefit both sides, will promote the prosperity and stability in each of the participating countries, and will make a due contribution to world peace.

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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PROBLEMS IN MODERNIZATION OF STATISTICAL WORK DISCUSSED

Beijing RENMIN RIBAO in Chinese 7 Feb 86 p 5

[Article by Huang Hai [7806 3189]: "Several Problems in Accelerating the Modernization of Statistical Work"]

[Text] Reform Statistics System, Strengthen Statistical Management by Law

Premier Zhao Ziyang has pointed out: If we can do our work well in statistics and forecasting, China's planned guidance will be greatly strengthened. If the telecommunications system works efficiently, the strategic objective of the four modernizations can be attained ahead of schedule. The Party Central Committee and the State Council have always stressed the need to set up a strong and centralized statistics system and to strengthen the centralized leadership over statistical work, as decided by the objective requirements of statistics as a science and a means of supervision. The science of statistics requires a unified system to ensure that the collection and processing of statistical data as well as the check-up on the dependability of these data are carried out in a scientific and systematic way. Statistical supervision also requires the establishment of an independent system to protect the statistical institutions and personnel from the interference of subjective prejudice, so that they need not have to cover up the objective realities and are at liberty to report on the situation, either good or bad, truthfully. The more vigorous is the development of modern socialist undertakings, microeconomic activities and macroeconomic control, the greater will be the need to strengthen the scientific nature of statistics and the independence of statistical supervision. Only thus can we keep abreast of the overall national situation of economic and social developments, enforce the correct policy decisions and exercise scientific control.

To strengthen the centralized leadership over statistical work, we must first strengthen the State Statistical Bureau and the state's statistics system. The State Statistical Bureau is the functional organ to provide leadership in statistical work and to coordinate such work throughout the country. In addition, it has the heavy responsibility of national economic accounting. Therefore, it should become a powerful inspection and supervisory organ for socialist construction and serve as an information center capable of acquiring and supplying the most accurate and timely statistical information. Like the Auditing Administration, the State Statistical Bureau should independently

exercise its supervisory power in matters concerning the national economic and social developments according to law. Sun Yefang [1327 0396 2455], the famous Marxist economist in China, have on many occasions proposed to the State Council about raising the social status of statistical work, reforming the statistical management system, establishing a strong statistics system, and perfecting the statistical law. Statistical work must have independence in order to be dependable. This, as we may say, is a concise summation of China's experiences in statistics.

There should be a distinctive responsibility system for statistical work. China now has two statistics systems: the national statistics system and the departmental statistics system. The national statistics system is the leading organ to perform the task of statistical inspection for the state along a vertical chain of command. According to the decision of the State Council, the statistics system of the state should be under the leadership of the statistical bureau at a higher level in business matters, and there should be a unified control over the personnel disposition and expenditures. Since the economic and cultural developments are uneven in different parts of the country, the local statistical bureaus, in addition to the work of statistical investigation for the state, should also conduct local statistical investigations for the local government, which should provide the resources and bear the expenses. Along with the development of the four-modernization drive, the statistics system of the state should be extended from the county level down to the districts, the towns and the townships to form a statistical information network. This network will further strengthen the statistical information network of the central cities so that, like the radar stations throughout the country, it can feedback the information on social and economic statistics. The departmental statistics system should be well equipped for the collection, analysis, and dissemination of trade information under the guidance of the national statistical organs of the same level in business matters. The work of the state, the departments and the localities should be clearly divided and well coordinated, and there must be no overlapping. The State Statistical Bureau has the responsibility of strengthening the coordination of statistical work.

In order to organize the statistical work effectively and scientifically, and to ensure the accuracy and promptness of the statistical data, we must also set up and strengthen the statistical management by law. Although the interests of the state, the collective and the individuals in China are basically identical, there are still many contradictions in view of the unhealthy trend of bureaucratism and the abuse of power by cadres for private gains. Especially at a time when the fulfillment of planned targets serves as an important criterion for evaluating the cadres' performance, the reported figures may to a certain extent affect the interests of some departments, localities or units, in which case, there may be a tendency to interfere with the statistical data or to falsify the statistics figures. To strengthen statistical management by law, in addition to a further improvement in legislation (by defining what constitutes a crime in statistics), the key lies in the upholding of law, the strict enforce of law, and the punishment for law violations. First, extensive and in-depth publicity work and education should be carried out concerning statistics law, and the leaders as well as statistical personnel should take the lead in enforcing it. The advanced

collectives or individuals upholding this law by seeking truth from facts should be supported and rewarded, and the violators of the law should be critized, educated or even prosecuted. The state's statistical organs should frequently check on the enforcement of the statistics law, protect the legitimate rights of the statistical organs and personnel, preserve the sanctity of law, and serve as functional organs in implementing and supervising the implementation of the statistics law.

Strengthen the National Economic Accounting System, Improve the System of Statistical Indices

National economic accounting is an accounting of the overall national economy in development. Marx pointed out: While social production still exists after the disappearance of the capitalist mode of production, bookkeeping is more important than ever; it will become social bookkeeping. What Marx called "social bookkeeping" was in fact a national economic accounting. In China, the work of national economic accounting is still far from perfect and unable to meet the state's requirement in its macroeconomic control. We must follow the Marxist theory on reproduction and the law of modern socialist production in the unified application of statistical data for business accounting and for compiling a comprehensive balance sheet which systematically portrays the process, results and benefits of socialist reproduction, and reflects the actual conditions and the pattern of the planned and proportionate development of the national economy to help the state in making correct macroeconomic policy decisions and plans and in exercising its effective control and supervision. In national economic accounting, we should use the Marxist theory of reproduction mainly for the purpose of correctly accounting for the social product value ($c + v + m$), the national income ($v + m$) and the net social income (m); reflecting the balance between the proportionate value realized by the different components of social products and the compensation in kind in the process of reproduction; finding out whether the exchange of (I) the means of production and (II) the means of subsistence is adequate for the needs of expanded reproduction; calculating the production, distribution, redistribution and final use of the total social products, the national income and the net social income as well as the proportionate relationship between accumulation and consumption; further reflecting the relationship between input and output in the national economy; and working out the consumption and fruits of labor as well as the income in the service trade or the nonmaterial production sector. We should use the basic theory and methodology of Marxism as our guideline in light of the realities of China's planned development of a commodity economy, draw lessons from the scientific methods of the two major accounting systems of the world (MPS and SNA), and then set up a socialist national economic accounting system with typical Chinese characteristics.

Statistical indices are the figures showing the special characteristics of certain social phenomena. A statistical index system is a series of interrelated statistical indices, signifying the changes in the social phenomena and the innate relationships between them. It is also a system of figures governed by some law. China's present statistical index system is the outcome of the former planned economic system and is biased toward the statistics of real objects in the sphere of material production with little regard for the statistics of commodity value and prices, of economic results

and social benefits, of distribution and consumption, or of the sources and expenditures of funds. The statistics on services in the nonmaterial production sector, on science and technology, and on spiritual civilization development is practically nonexistent. In accordance with the strategic task and strategic priorities set in the 12th Party Congress and in the Seventh 5-Year Plan, we must improve the statistical index system for China's national economic and social developments. To the meet the requirements of international comparisons, we must also greatly strengthen the index system of macroeconomic dynamics so as to help the state step up its macoeconomic control and management.

Priority for the State's Automation System of Statistical Information

The use of modern technical information equipment in the statistical system is indispensable in the modernization of statistical work and the modernizations of state management. At present, 96 percent of the statistical information in the state's statistical system is processed and transmitted with the traditional and backward manual operation level by level. In this way, the basic level units and the enterprises can process only a very little information roughly and incompletely. They would have difficulty in conducting more in-depth, more concrete and more scientific analysis and forecasts on the complex phenomena of social economy which requires the use of mathematical methods and models. This is one of the important reasons for the scanty, rough and slow supply of information by the statistical organs.

According to the "Statistics Law," "the state should modernize the techniques of statistical calculations and data transmission." The State Council has also decided that in order to modernize China's industry, agriculture, science and technology and national defense, we must also modernize our statistical work and make every effort to install microprocessors in all statistical bureaus above the county level, and then gradually set up and strengthen a modern system of statistical information processing. These laws were promulgated 2 years ago, but are still not implemented. It must be pointed out that in planning to set up a national automation system for the transmission of economic information, we must first set up a national automation system for the transmission of statistical information for the reason that when the state collects, processess, analyzes and disseminates the economic statistical information, conducts the national economic accounting, and exercises its overall statistical supervision, the national statistical system is the one to process and transmit the largest volume of data that are most complex in nature and most frequently used. It has the characteristics of a public data storage of the state. One of the important ways to accelerate the modernization of statistical work, therefore, is to equip the national statistics system with modern information processing technology, and to let the cadres of the statistics system learn to use and to manage with this technology.

At the same time, we should accelerate the standardization of statistical classification and of the basic statistical work so that the collection, processing, and transmission can be carried out according to a unified standard set of codes which will help increase the accuracy and promptness of statistical information.

Forming a Large Specialized Statistical Contingent, Raising the Standards of Statistical Service and Supervision

At present, both the size and the competence of China's specialized statistical force are far from adequate for the arduous task sharply increased by the economic reform and the modernization drive. This inadequacy is even more obvious in comparison with the statistical systems of many countries. The personnel of the national statistics system per 10,000 persons in various countries are as follows: the Soviet Union, 8.6 persons; Canada, 2.6 persons; Thailand, 2.2 persons; Norway, 1.9 persons; Hungary, 1.5 persons; Yugoslavia, 1.4 persons; Romania, 1 person; and China, 0.5 person. In China's national statistics system, 80 percent of its personnel have not received any systematic vocational training. The training for the basic level personnel is even less, and their mobility rate is very high. The lack of a strong and steady specialized force is an important reason for the poor foundation and low standards of China's statistical work. It must form a large specialized contingent that is conversant with modern statistics science and possesses various technical skills. This measure has its bearing on the quality of statistical work in terms of service and supervision and on the future of statistics in China.

We must energetically develop and reform the education in statistics. The institutes of higher learning concerned should set up their statistics department or special statistics classes, increase their enrollments, and raised the ratio of statistics graduate students. In the provinces, we should open secondary vocational statistics schools or statistics training centers for the cadres who need not be taken away from their posts. The statistical personnel must have a grasp of political economy, statistics, mathematics, statistics laws, the use of computers and other knowledge. China's statistical contingent should serve the people whole-heartedly, seek truth from facts, and strive for advancement. The state should decide on the authorized strength of this contingent and maintain it in accordance with the statistics law. It must also be concerned with the difficulties in the work, study and livelihood of the statistical personnel.

At present, we should energetically develop the study and application of statistics; make use of the scientific achievements in social economic statistics, mathematical statistics, econometrics, the theories of information systems, cybernetics, and so forth; conduct in-depth investigations and study; and develop statistical analyses and forecasts, in order to improve the quality and raise the efficiency of statistical service and supervision.

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ECONOMIC DEVELOPMENT ZONES

CHINA'S 11 ECONOMIC, TECHNOLOGICAL DEVELOPMENT ZONES

Fuzhou FUJIAN RIBAO in Chinese 20 Jan 86 p 3

[Text] China Has Established 11 Economic and Technological Open Zones

As approved by the State Council, China has currently set up economic and technological open zones in 11 cities.

1. Dalian: The long-range plan is for 20 sq km, but in the first stage only 3 sq km will be developed, located in the area of Maqiaozi Village in Jin Prefecture.

2. Qinhuangdao: The plan is for 1.9 sq km, located between the Datang He and the Xiaotang He.

3. Tianjin: The long-range plan is for 33 sq km, but the engineering project of the first stage comprises only 3 sq km, located near Tanggu close to the Bay of Bohai.

4. Yantai: The long-range plan is for 10 sq km, but in the first stage only 2 sq km will be developed, located in the area east of Fulaishan along the coast.

5. Qingdao: The plan is for 15 sq km, but in the first stage only 2 sq km will be developed in Jiao Prefecture.

6. Nantong: The initial plan is for 4.62 sq km, located in the Fumin Harbor district.

7. Lianyungang: In the near future, it is planned to develop 3 sq km, located in the Zhongyuntai district.

8. Ningbo: The area being developed covers 3.9 sq km, located in the Xiaogang district.

9. Fuzhou: The area being developed covers 4.4 sq km, located in the Mawei district at the mouth of the Min Jiang.

10. Guangzhou: The total area to be developed covers 9.6 sq km, located at the eastern fringe of the Huangpu district, the first stage of development to comprise an area of 2.6 sq km.

11. Zhanjiang: The first stage of development to comprise an area of 2 sq km, located in the Neigang area of the Zhanjiang.

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ECONOMIC DEVELOPMENT ZONES

BANKS IN GUANGZHOU WITH 3 FOREIGN CAPITAL SOURCES PROPOSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 4, Jul-Aug 85 pp 25-27

[Article by Gu Dunyi [7357 2415 3015], Guangzhou Branch of the People's Bank of China: "Guangzhou Should Actively Introduce and Utilize 'Three-Capital Banks'"]

[Text] The matter of allowing in and utilizing banks that are financed by capital from three sources, namely from foreign countries, from overseas Chinese, and from Hong Kong/Macao ("three-capital banks"), is one that we must mainly study under the aspect of whether banks of this type should be allowed into China at all, to establish branches that would engage in banking business for profit, and also in what way we may profit from them and exercise control over them. This article intends to explore the need for such "three-capital banks," the feasibility of allowing them into Guangzhou, and how to make use of them, and will put forward some ideas that may provoke comments and serve as reference for study and for execution of the scheme.

The strategy for the economic development of Guangzhou has repeatedly been discussed and studied in recent years. General opinion is now fairly uniform that this strategy should be: Based upon its favorable location and special characteristics, Guangzhou should take full advantage of its proximity to Hong Kong, of the large number of its former citizens among the overseas Chinese, and of its many channels for foreign economic activities. It should actively seek the use of foreign capital, capital from overseas Chinese and capital from Hong Kong and Macao, and take a share in the division of labor in the international market. Guangzhou should gradually shift its economy from one that relies mainly on domestic circulation to one that relies mainly on overseas circulation, turning into an even more "opened-up" type of a city, and fully performing the function of a "window" through which advanced technologies will be imported for assimilation and widest use in China. It should also assume the function of a South China hub of a "two-way swing door," opening toward China as well as toward the outside world. These strategic demands and objectives indicate clearly that the vigorous development of foreign economic relations and trade should be Guangzhou's key pursuits. According to revised computations concerning the development plan for Guangzhou's national economy during the Seventh 5-Year Plan, Guangzhou will require a capital of about 12 billion yuan RMB and $3 billion of foreign

exchange up to the year 1990 for the development of its production and construction. Although this capital might possibly be raised through a variety of channels, such as external accommodation and internal accumulation as well as by support from the masses, a method of primary importance will always remain the large-scale use of foreign capital, and under current conditions this way is showing only comparatively slow progress.

Instituting a new overall situation in the use of foreign capital requires working out many new methods and expending much effort; the active initiation and effective utilization of the "three-capital banks" could be a kind of "miracle cure," getting twice the result with half the effort. Nowadays, capital funds in the capitalist countries are centralized to a large degree; the multinational banks have immense power and have become the core element that controls all industrial capital and operates the large consortia of multinational corporations, dictating the flow of all foreign capital. On the other hand, the domestic markets in the Western countries are currently depressed, and there is a surplus of loan capital, which tries by every means to find an outlet in the Third World. As we understand it, last year, because of the successful settlement of the Hong Kong question, over $3 billion of American capital and over $2 billion of Japanese capital was transferred from Western Europe to Hong Kong. Under these circumstances, if we would only handle the situation carefully to our advantage, adopt vigorous steps and measures in bringing in "three-capital banks," allowing them into Guangzhou to establish branch organs and to engage in financial operations for profit, showing them good prospects of future profitability, the result will certainly be that they will be eager to transfer capital to Guangzhou, bring foreign accounts and establish close contacts with the Chinese organs of foreign economic relations and finance. It will also lead to an expanded interchange of information and will effectively help dispel certain misgivings among foreign businessmen who intend to invest in China. The expanded impact abroad is bound to play a considerable role in attracting foreign capital. After some "three-capital banks" will have been brought in, it will be a somewhat complex and arduous task to make the best use of them and to strengthen control over them. We must first of all approach this question aware of the high degree of its needfulness in our strategy for economic development and must undertake a full assessment of the effect and positive results of this scheme and attach great importance to it.

On the question of bringing in "three-capital banks," the state has recently adopted a series of steps, which have already caused quite a stir in international financial circles. First, China has decided to allow, as of 1985, foreign banks to open business offices in Shenzhen. Foreign news agencies have reported this as China's "Year 1 of financial opening-up." Second, China has approved four foreign and overseas-Chinese banks, which had formerly operated in Shanghai, to engage in the business of foreign exchange deposits, lending, and remittances. Foreign commentators believe that this "indicates the beginning of more freedom of action for foreign banks in China." It can be predicted that the situation may soon arise that "three-capital banks" will actively demand to establish branches in all of China's opened-up cities along the coast. In this matter, Guangzhou must analyze what conditions would be most favorable for itself, do a good job of preparatory work, and accelerate implementation of any such schemes.

What are some of the feasible and advantageous conditions that Guangzhou can offer for the entry and utilization of "three-capital banks"? In my opinion, there are at least three:

1. Guangzhou's location and special characteristics are the decisive factors that make Guangzhou one of the most interesting cities for the "three-capital banks." They will find in Guangzhou a comparatively broad field for business activities of all kinds. According to statistics, "three-capital banks" that have currently established representative offices, liaison offices or business offices in China comprise 82 banks from 18 countries and territories, also companies dealing in securities and insurance business, a total of 122 entities of this type. Apart from the 67 in Beijing, Shanghai with 16 offices and Guangzhou with 12 (2 from Hong Kong, 4 from France, 6 from Japan) are those with the largest number. The reason why these two places attract particular attention among foreign financial circles is that Shanghai and Guangzhou are China's most important trading ports and trade centers, with a very solid industrial base and well developed commerce and finance. Already before liberation, banking business of these two cities had been of considerable volume, and the potential for the future development of banking business in these two cities is considerable. Foreign banks that establish branches in China do business mainly with foreign-financed, Chinese-foreign joint venture, and overseas-Chinese financed enterprises ("three-capital enterprises"), especially in connection with projects jointly financed by China and "three-capital enterprises." By its location, Guangzhou is the South China center of all economic relations and trade. It is also close to Hong Kong, a center of international trade and finance. Moreover, the largest number of overseas Chinese are from Hong Kong and Macao, making for many channels of overseas economic relations; it goes without saying that most of the "three types of capital" are therefore invested in Guangzhou. For instance, large-scale investment projects such as the exploration of the Nanhai oilfield and the construction of a nuclear power plant, are apt to attract the attention of the "three-capital banks." In the development of the Nanhai oilfield, Guangzhou will become command center, center of foreign cooperation, equipment manufacturing and maintenance center, materials storage, transportation and supply center, livelihood service center, and the center for interchanges of scientific and technological information and for economic information; even this one item alone offers them bright prospects for active business operations. Furthermore, to achieve the strategic goal of "completion of transformation within 3 years" in Guangzhou's major enterprises, the "three-capital banks" can perform a certain linkage and bridge-building function with regard to the use of foreign capital and technologies. Precisely for this reason, the "three-capital banks" that have already set up offices in Guangzhou, such as the Hongkong and Shanghai Banking Corporation and others, have recently contacted the local branch of the People's Bank and eagerly expressed their intention to establish branch banks in Guangzhou. We foresee that as soon as China opens the gate, other foreign banks will follow one upon the heels of the other.

2. Guangzhou offers an excellent base with respect to all the various working conditions that the "three-capital banks" require. When setting up branch banks in China, the "three-capital banks" will in general demand reasonably favorable working conditions, advanced communication facilities, tourist

opportunities, and availability of employees of a definite quality. Since Guangzhou's "opening-up" has proceeded at a rapid pace, its tertiary industries such as hotels, commercial enterprises, and tourism, have been much developed in recent years and can offer superior conditions in such respects as providing the "three-capital banks" with office and residential accommodations and daily services. Although currently still somewhat backward in communications equipment, there is Hong Kong in close proximity, ready to serve the foreign banks as bridge for the remittance of funds, business contacts and gathering of economic information, which will prove convenient. As to supply of employees, Guangzhou now has a large number of bank cadres and a large workforce of staff and workers. In addition, the institutions of higher learning, Zhongshan University, Jinan University, and the Foreign Language Institute, are continuously training personnel who will be proficient in international finance and foreign languages, thus providing an ample supply of employees of a definite quality.

3. Guangzhou has all preconditions and the ability for the effective administrative control of the "three-capital banks." After entering Guangzhou, we must not only show ourselves adept at utilizing the "three-capital banks," having them effectively perform the function of attracting foreign capital and invigorating the banking business, but we must also carry out the necessary supervision and control of them to avoid sinking into a state of passivity. Presently, Guangzhou's administrative system, including the banking control system, is in the initial stage of transformation and has preliminarily formed a banking system in which the People's Bank is the core and the specialized banks are the main parts. The city branch of the People's Bank has become the organ of administrative control, exercising the functions of the Central Bank. The Guangzhou Branch of the State Foreign Exchange Control Bureau has decided to locate in the same office building as the city branch of the People's Bank, and the post of bureau chief is concurrently held by the head of the city branch of the People's Bank. After the State Council approved Guangzhou as a separate entity in the state plan, the city branch of the People's Bank has the economic control authority equivalent to a province in regard to banking and foreign exchange control.

All this creates extremely favorable conditions for effective administrative control of the "three-capital banks" by Guangzhou. Besides, there are also the examples of Shanghai and Shenzhen to draw lessons from for the control of "three-capital banks"; Guangzhou is completely capable of exercising strict and scientific administrative control over these banks.

Some have expressed the concern that after their entry, the "three-capital banks" will monopolize our financial market. This is an unnecessary concern. New China of today is radically different from the semicolonial China of the past. With a powerful state machinery, we control such crucial sectors as communications, posts and telecommunications, the customs service, and the management of foreign trade and banking. Foreign businessmen no longer enjoy the prerogatives of extraterritoriality or foreign concessions, and there simply is no way for the "three-capital banks" to monopolize our financial market. Furthermore, the more foreign banks entering China the less chance of their being able to exercise a monopoly. China's banking and management methods are currently still somewhat backward and may not be able for a time

to compete with the "three-capital banks"; there is indeed some ground for this concern. As the situation is now, it might be possible to avoid placing Chinese banks at a disadvantage in this competition by making certain arrangements in our policy, in our legislation, or in the scope of permissible business operations for the appropriate protection of the Chinese banks and to impose certain necessary restrictions on the "three-capital banks." However, the Chinese banks must not remain forever in a state of backwardness, and only with competition will there be motivation and pressure to improve. In this sense, exposing the Chinese banks to competition with the "three-capital banks" as regards improvement of business methods, raising work efficiency and quality, will spur the Chinese banks on to a more rapid modernization; we must be said that there is something good and nothing bad about that.

Although we now have at Shenzhen and Shanghai certain experiences from which we can draw lessons for inviting "three-capital banks" into Guangzhou, we must still conscientiously study how to utilize the "three-capital banks" and how to control them. This writer believes that according to the specific conditions of Guangzhou's needs in its strategy for economic development and the fairly rapid pace of its "opening-up," we may be able to consider a greater measure of certain favorable policies with regard to the conditions under which applications are made for the establishment of branch banks and with regard to the scope of permissible business operations, to fully inspire business enthusiasm among the "three-capital banks" and to have them intensify their efforts of importing foreign capital and technologies. In the control of the "three-capital banks," it should be possible to employ a combination of administrative and economic measures, but preferably economic measures, and to limit the use of administrative measures only to cases of necessity. The initiative of utilizing and controlling is completely in our hands. We may, therefore, in the tentative initiation of such measures, be somewhat more generous; as things develop, we can always adjust matters, as specific conditions demand. Some ideas follow concerning the specific matters of which "three-capital banks" should be selected, what scope of business operations should be prescribed for them, and what preparatory work should be done.

1. Selecting the target banks: A large number of "three-capital banks" are now applying for permission to establish branch banks in China to engage in business operations for profit. But we should not at this juncture allow them to rush in like a "swarm of bees;" we must be selective. When making our selections, we must consider such general and basic conditions as financial trustworthiness, possible impact and motivation, and must, as a principle of policy, have a good grasp of the following points: (1) We must note how much capital the main office will remit to the branch as working capital. Prior consideration should be given to those with comparatively abundant working capital. (2) We must note the number of foreign accounts that the applicant will bring along, how many investment projects will be brought about, and on what scale their operations are; those that will bring along many accounts and that will lead to many and large investment projects shall be given prior consideration. (3) We must note whether the applicant will have a great impact on Guangzhou's development of foreign economic relations and trade; those "three-capital banks" that will help improve business relations, the interchange of economic information, and that will set up additional banking agencies in key areas should be given prior consideration. (4) Those whose

entry would accord with reciprocal conditions granted to Chinese banks abroad shall be given prior consideration.

2. Delineating the scope of business operations: According to the methods applied in Shenzhen and Shanghai, the scope of business allowed to the "three-capital banks" mainly comprises deposits, loans and remittances of foreign exchange for foreign customers, plus taking in foreign exchange deposits from officially approved "three-capital enterprises" and granting foreign exchange loans to Chinese state-run enterprises. There are also specific delineations regarding such business operations as foreign exchange remittances and receipts, foreign exchange settlements in import and export trade and the handling of import and export bills of exchange, and a stipulation that the "three-capital banks" must not engage in RMB transactions. I believe that in these respects Guangzhou may suitably take note of the Shenzhen and Shanghai methods but should be more lenient and give consideration to the following: (1) It is generally prescribed that "three-capital enterprises" may establish foreign exchange deposit accounts at designated "three-capital banks" only after approval by the Foreign Exchange Control Bureau. However, if an investment project was brought about by the intermediary of a "three-capital bank," the "three-capital enterprise" in question should of course be able to establish a foreign exchange deposit account with the "three-capital bank" involved. (2) It is generally prescribed that a domestic enterprise or other domestic entity can arrange a foreign exchange credit with a designated "three-capital bank" only after approval by the Foreign Exchange Control Bureau, and that the domestic entities must not handle import and export bills of exchange through a "three-capital bank." Considering the fact that the control of foreign exchange and of foreign economic relations and trade and the customs service are all in our hands, and considering the further fact that the "three-capital banks" generally examine and carefully verify the financial reliability of their customers, it should be possible to relax the provisions and allow domestic enterprises that have foreign exchange receipts and expenditures to arrange foreign exchange loans and import bills of exchange directly with a "three-capital bank." (3) It is generally prescribed that "three-capital banks" must not handle deposits or loans in RMB, but in the interest of using their organization, personnel and equipment to the fullest extent and also of promoting normal competition between banks with regard to better quality of service, the "three-capital banks" should be allowed, as long as they themselves on their own initiative want to undertake the business, to serve as agents for domestic banks in handling RMB deposit, loan, and savings account business, the domestic bank in such cases having to pay them a certain agency commission, which they may be allowed to use for expenditure within China. (4) While we appropriately broaden the scope of business operations of the "three-capital banks," we must strengthen control. Apart from the necessary administrative control, we must primarily exercise control through economic means: From out of the foreign exchange deposits, the "three-capital banks" should turn over to the People's Bank a certain proportion as a deposit reserve fund; interest on such deposits should be computed at rates fixed by the Bank of China. The rates for foreign exchange loans and the discount rates may be determined by the banks themselves, but should be reported to the Foreign Exchange Control Bureau for their record.

3. Preparatory work: The importation and utilization of "three-capital banks" must be pursued with great zeal, to be mainly demonstrated as follows: (1) Close attention must be paid to all relevant laws, decrees and regulations that have been drawn up and promulgated. A perfect legislation will enable the "three-capital banks" to better understand China's policies and administrative system, allowing them to plan their organizational setup according to law and to properly plan the development of their business operations, as it will also provide us with laws as guidance in our controls. The head office of the People's Bank has now drafted "Regulations Governing the Control of Foreign-Financed Banks and Banks with Joint Chinese-Foreign Capital in the SEZs of the PRC (Draft)," which has been submitted to the State Council for approval. Guangzhou may follow the provisions and the spirit of these "Regulations," and, integrating them with the specific conditions of Guangzhou, draft similar regulations and submit them to the State Council for approval. Furthermore, prior to unified enactment by the central authorities of a foreign exchange control law, a mortgage law, and a law on negotiable instruments, Guangzhou could also draft certain provisional regulations according to prevailing policy and institutions and submit them to the State Council for approval. (2) We should bring together a number of experts, scholars and intelligent and capable cadres from various sectors and, on the one hand, organize a specialized group to be responsible for the investigation, research and counseling work concerning "three-capital banks," the result of which should serve the leadership as reference when making policy decisions. On the other hand, we should replenish the staff of the financial and foreign exchange control departments of the city branch of the People's Bank to enhance the work of initial examination and approval of "three-capital banks" to be allowed in and for future control work. (3) We must accelerate and perfect the construction of telecommunications installations, to speedily create the favorable conditions for a rapid development of Guangzhou's banking affairs, for the period following entry of the "three-capital banks." (4) As regards office accommodations for the "three-capital banks," residences for their staff and general arrangements for their livelihood, a certain amount of planning must be done in advance so that these facilities can be offered when needed.

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ECONOMIC DEVELOPMENT ZONES

LIANYUNGANG MOVES TOWARD EXPORT-ORIENTED OPERATIONS

Fuzhou FUJIAN RIBAO in Chinese 20 Jan 86 p 3

[Article by Wang Qiang [3076 1730] and Ye Douwen [0673 2435 2429]: "Import, Transform, Shift Direction, Create Foreign Exchange--Lianyungang Establishes Initial Scope of an Export-Oriented Economy"]

[Text] Since opening up to the outside world, Lianyungang Municipality in Jiangsu Province has imported advanced technology and equipment to have several of its old enterprises progressively shift from a domestic to an export orientation, achieving a marked increase in export and foreign exchange earning capability. Its experiences were as follows:

1. In imports from abroad, Lianyungang has emphasized the transformation old enterprises, using advanced international technologies to transform key enterprises and to develop the manufacture of "hot-selling" products. Within a little over 1 year, imported technologies and equipment were used throughout the city for 44 transformation projects in 23 enterprises, initially creating a series of factories specially manufacturing export articles for foreign trade.

2. Foreign capital was directly used to import advanced equipment. Within a little over 1 year, Lianyungang used $8,200,000 of foreign exchange, and in the form of its business operations changed from compensation trade to Chinese-foreign joint ventures, cooperative management and the processing of imported materials. Joint venture relations, formerly with only Japan, have now expanded to 26 countries on 5 continents.

3. Lianyungang has established production bases to ensure the supply of raw materials for the manufacture of export commodities. Lianyungang made best use of its own favorable conditions and set up 10 large agricultural and sideline products export bases for high-quality grain and oil, lean pork, high-grade poultry and eggs, high-quality vegetables, flowers and plants, and established more than 100 complementary export production and processing network stations.

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ECONOMIC DEVELOPMENT ZONES

UPDATE ON TIANJIN ECONOMIC DEVELOPMENT ZONE

Beijing LIAOWANG [OUTLOOK] in Chinese No 52, 30 Dec 85 pp 26-28

[Article by Meng Zijun [1322 1311 0689] and Mei Minhui [2734 2404 1979]: "Cautious Start at the Tianjin Economic Development Zone"]

[Text] We were told by the Special Development Zone Office of the State Council that among the 10-odd cities which were opened up along the coast, the Tianjin economic development zone [EDZ] had some very special features, giving people the impression of a cautious start, emphasis on actual results, flexible and adaptable policy, and energetic management. To find out the actual situation, we recently travelled to the Tanggu area and visited the Tianjin EDZ, which is 50 km from the center of Tianjin.

On the way, the director of the Office for EDZs told us that this area was once one large expanse of a brine-filled salt field. Today it is quite a different picture that meets the eye: There is no more water on the 3 sq km of the initial EDZ. It is a stretch of flat land, crisscrossed by several blacktop roads. Work has already started on the 17 items of capital construction, which will cover 100,000 sq m of the main construction site, and erection of 2 standard factories and 1 special-purpose factory, occupying an area of 23,000 sq m is already going up. We were told that a tight network of pipes and wires for telecommunications, electricity, heating, water supply and sewage has already been laid out underneath these buildings like a spider's net. We also understand that the EDZ has signed contracts for 21 joint venture and joint management projects with parties from the United States, France, Denmark, Japan and Hong Kong, of which 20 projects will be in full operation at the end of next year, and of which the Danhua Bicycle Factory, a joint venture with the Danish [Yadi] Company, will start production in the near future.

I. In April of last year, Comrade Gu Mu came to Tianjin on an inspection and transmitted the directives of the CPC Central Committee and of the State Council regarding the opening up of 14 more cities and the setting up of economic and technological development zones. The various cities involved responded by starting up work, one after the other, each one eager to be ahead of the others in this competition. In view of this situation, Chen Weida [7115 0251 6671], the incumbent first secretary of the municipal party committee at that time, and Mayor Li Ruihuan [2621 3843 3883] mentioned on

more than one occasion that the lessons and experiences of several decades have proven repeatedly that the key to successful construction is the clear definition of a guiding policy and a well-worked out plan. With a correct policy and a realistic and feasible plan, an economic and technological development zone, even if started somewhat late, can be a great success. In all undertakings, preparation must precede actual execution of work, otherwise even speed will not lead to results. The leadership of the Tianjin EDZ had therefore adopted an attitude of great caution. After an inspection tour of Shenzhen, they were convinced that since Shenzhen was adjacent to the large consumer goods market and international transfer station of Hong Kong, with more than 27,000 people moving into Shenzhen every day, these facts were decisive for Shenzhen to start out with the development of the tourist and real estate industries. On the other hand, Tianjin in 1 year has not as many visitors as Shenzhen in 1 day. However, Tianjin has its own strong points, namely: Tianjin has more than 4,600 industrial enterprises, making it the largest industrial base in North China. Its industries, furthermore, comprise almost the whole range, namely 154 out of the national total of 165 branches. The chemical, metallurgical, machine-building, medical and pharmaceutical industries, all have a solid foundation in Tianjin. The area of its foreign economic cooperation is extremely broad, and foreign businessmen will all be able to find most ideal business partners in Tianjin. Even more valuable is the presence of a work force, proficient in matters of investment and in business management, and a well-trained contingent of workers. In the face of so abundant an industrial base and of the favorable manpower conditions, they have soberly realized that there is no other way for the development of the Tianjin EDZ than to take the road of a primarily industrial development.

In what way should the EDZ be built up? Oriented toward foreign trade or toward the domestic economy, or with a "double-faced" orientation? The organizers of the EDZ have given this matter a lot of thought. They studied many experiences and drew many lessons from economic zones in operation in China and abroad, analyzed the various advantages of Tianjin as a large industrial city located on the coast, and concluded: The developmental strategy for the Tianjin EDZ must be one oriented toward the world; it must utilize and digest as much foreign capital, technology and managerial expertise as possible. While doing an effective, step by step shift toward the domestic economy, it must infiltrate the international markets with its own products, participate in the international competition, and earn foreign exchange for the state. Having reached this conclusion, the guiding policy of "an economic and technological development zone, primarily based on industry and oriented toward the outside world," was in this way accepted for Tianjin.

The same cautious attitude was displayed in selecting the location and in the measures and arrangements for the developmental constructions in the EDZ. To select the location, Tianjin Municipality detached over 40 specialists and scholars to form a planning team for the selection of the location for the EDZ. Their principle was: closeness to the city, good communication and transport facilities, proximity to a harbor or port area. After on the spot surveys and repeated discussions and deliberations, a plot of salt fields along the sea east of Tanggu Prefecture was selected as the most suitable plan among several plans. The total area of the EDZ is 33 sq km; it borders in the south on Tianjin-Xingang, in the north on Beitang township of Tanggu

Prefecture, in the east on the Haifang highway, and in the west on the Beijing-Shanhaiguan railway line. The area is distinctly delineated, which facilitates all aspects of administration. The EDZ is 50 km distant from the city proper of Tianjin, and excellent communications and transport services make it easily accessible. Transportation by railway over the Beijing-Shanhaiguan line connects it directly with the entire railway network of the country. In the south, work on the Beijing-Tianjin-Tanggu expressway will be started next year, which on completion will establish a continuous highway line between Tianjin-Xingang, the EDZ, the city proper of Tianjin and Beijing. There is also the Tianjin-Tanggu harbor-transport highway, the Tianjin-Tanggu highway and the Yang-Bei highway, all linking up with the country's entire highway network. Two kilometers to the southeast is Tianjin-Xingang, with shipping connections to over 150 countries and territories, and the EDZ is 30 km south of the Tianjin international airport and connected to it by an expressway, facilitating airfreight transportation. There is also the Haihe, enabling shipments by inland waterway to the city proper of Tianjin.

Other reasons for the selection of this location for the EDZ were that it can count on some assistance from the old city area, so that no new installations are needed for water, electricity, gas and communications, which greatly reduced the expenditure for basic constructions. These conditions will make it easy to get started in the near future, as they also provide unrivalled possibilities for the development of the EDZ in the more remote future.

As to the pace of the development, no one had the idea that it could be achieved in one move, but that it was necessary to be circumspect and farsighted. Starting out from the current state of finance, materials and manpower, they conceived the EDZ as a project to be planned as a process over a longer period of time, a development in three stages over 30 years. The first stage of the development, according to plan, is from 1985 to 1988. In these 4 years, 3 sq km are to be developed, and more than 150 enterprises are to be set up for the development of electronics, mechanical and electrical engineering, fine chemistry, new materials and new technologies, with a complement of 25,000 workers and an annual gross output value of 1.5 billion yuan. The second stage is from 1989 to the end of this century, a period of about 10 years, to develop 10 sq km and to achieve a coordination of the development of the EDZ with the harbor construction. In the third stage, a period of 15 years from the end of this century to the year 2015, the construction of the entire EDZ is to be completed, with a capacity of producing a gross industrial output value of from 15 to 20 billion yuan.

Even for the capital construction on the initial area of 3 sq km, the leadership of the EDZ is meticulous in their planning and dispositions. Due to current limitations of funds and materials, the key tract under development is an area of 1.9 sq km, which will be developed in the form of a "rotational development in sections" in four separate steps. The so-called "rotational development in sections" means that after laying the underground pipes and cables for electricity, heating, communications and sewage, there will be no immediate rush to complete all surface installations, the above-ground lines, branch pipes, earth filling, but the supplementary work of above-ground installations will be carried out as required by the contracts that have been or will be signed and the actual needs to start up certain projects. This

procedure will avoid, in these times of financial stringency, spending all the money on the foundations, leaving no funds for investment projects or for factory construction. It will also save much time and in effect be an instance of "developing one sector, building up one sector, and reaping benefits from one sector."

II. At the Tianjin EDZ most talk was about the construction of the various industrial projects.

Indeed, the realization of the macroeconomic objective and plan will only be possible by starting up industrial enterprises, having them go into production and reaping benefits from them. The leadership of the EDZ clearly understood this point right from the beginning. The Industrial Investment Corporation, specially in charge of projects for the EDZ, has therefore, already started negotiations with foreign businessmen and taken up contacts with various quarters. In December of last year, when approval was received from the State Council, they were already working on several projects.

The EDZ has indeed its own criteria and strategy as to which projects to choose and on what general objective to concentrate.

First, there is the demand that whatever is produced must be suitable for export and yield foreign exchange. For instance, all the 19 projects for which joint venture contracts have been signed will be able to achieve a foreign exchange balance on their own. Among these items, 10 products will have a buy-back ratio of up to 80 percent and for two projects this rate will be even 100 percent. In this way, the EDZ will in its initial stage establish its industries on the basis of international competition and also be laying an excellent foundation for the future development of an accumulation fund. All these projects, excepting only one, are for medium and small-scale enterprises with investments of less than $3 million; their investments can probably be recovered in 3 or 4 years. It is possible to predict that as soon as these projects with their high yield of foreign exchange and quick recovery of investments will start up production, the EDZ will steadily grow in actual strength.

The EDZ is also establishing important criteria for the selection of items for the promotion of technological transformation in old enterprises in Tianjin and for the adjustment of Tianjin's industrial structure. Recently, aiming at the backward state of the basic techniques in Tianjin's industries, they signed agreements with foreign parties for molds and dies, hard disks for computers, and certain transmission parts for turbines as the first lot of projects. Once these items will be in production, they will have an encouraging effect on the renovation and updating of Tianjin's industrial products and as a consequence their competitiveness in the international market will be enhanced.

The Tianjin EDZ is at the same time attaching greatest importance to the importation of high technology, which it is now firmly taking in hand as a strategic item. For instance, there will be a joint venture with an American party for the manufacture of a new drug for the diagnosis of cancer--monoclonal antibodies. This is a knowledge- and technology-intensive product;

it is the crystalization of high-level theoretical and scientific research. Among the other contracts that have been signed there are several similar items of high technology.

III. A member of the administrative committee of the EDZ and its general secretary told us the following story:

Multilayer printed boards are indispensable components of modern computers, communications and for the war industry. However, China can currently only manufacture the single-layer boards, which are components in radio receivers, tape recorders and television sets. A Tianjin factory had negotiated with an American company for the importation of the technology and equipment for the manufacture of multilayer boards, to be produced as a joint venture, but for 2 years the factory was unable to finance the project. After the EDZ was set up, they proposed to transfer this project to the EDZ. When the comrade in charge of projects got hold of this truly "hard to come by" project, he quickly established effective channels for credit. As soon as informed of this, the foreign party hurried to the EDZ, settled all matters, and, after both sides had reached an agreement, was most eager to get a clear idea of the exact date when the factory building would be finished and ready for use. On the next day, the manager of the construction company gave the foreign businessman the guarantee that the building would be finished and ready for use in half a year. That evening, the engineer of the building designing office worked throughout the night to produce the blueprints for the factory building according to the specific demands of the foreign businessman. On the third day, the foreign businessman was highly pleased with the plans and said full of surprise and admiration: This is rare work efficiency. It actually took only 3 days to get the contract signed for a project of such great importance.

We asked: "How was so efficient a work system set up?"

Without hesitation he said: The reason is that the State Council adopted a special policy for the EDZ, in addition to certain decision-making authorities granted us by the municipal party committee and the municipal government. In the current process of reforming China's economic structure, reforms in the EDZs can be somewhat in advance of reforms in other sectors and involve a comparatively larger measure of self-determination.

Even though the Tianjin EDZ is a unit directly under the leadership of the municipal government, the EDZ has authority to examine and approve projects with an investment of less than 20 million yuan. It has also authority to approve sending personnel abroad. It may also directly direct letters of invitation to foreign businessmen. They have also considerable authority for planning and constructions over small areas of the EDZ, without being required to submit a report and await permission from other departments in the city.

The flexible use of all these rights and policies to open up avenues for the various activities of the EDZ is only possible with a resolute and strong leadership system of the EDZ itself, while the unification of the management structure is an effective means to strengthen the leadership. The EDZ administrative committee is the leading organ in control of all affairs. It

decides all important affairs, such as concerning relevant investments, the signing of contracts and affairs of overall management. It also employs the scientific methods of system engineering in organization and management. It also sets up specialized and forceful business operational groups of some power, which are to ensure the smooth progress of all business activities of the enterprises in the EDZ, such as construction, capital and material supplies, labor and general services.

These special policies and the unique management structure practiced in the Tianjin EDZ greatly simplified work procedures, raised work efficiency, and, furthermore, created excellent preconditions for the reform of certain work methods which are incompatible with the high efficiency and high effectiveness of work in the EDZ.

For a long time, China's construction industry has had two problems for which a solution could not be found: One was that costs would not go down, and the other was that quality would not go up. The main reasons for this phenomenon were--aside from reasons of technology--the irrational way of collecting designing expenses (the higher the building costs, the more designing expenses) and administrative supervision and control. However, over the last year, engineering work at the Tianjin EDZ was not only performed speedily, but also at high quality and at a relatively lower cost compared to similar work elsewhere. What was the reason? Because here it was energetically promoted to have the managerial measures of building designing, construction itself, supervision and control of quality all performed in one continuous process of management and linked to economic benefits. This method, first of all, instituted an overall contract system for construction designing and execution of work, so that engineering costs and completion times were rigidly fixed by contract. The designing was undertaken by the EDZ's construction designing office. The designers could as far as possible use new technologies and new techniques, in order to lower the costs and shorten work time. Contracting for actual construction work was done by the method of inviting tenders, and the successful unit would have to complete work according to quality and work times specified in the construction plan, otherwise, the unit would be liable to compensate for economic losses. To strengthen quality control, the EDZ set up a supervisory and control company, and it is this company that would undertake to invite in experts from among the general public to do the supervising and controlling. In case of any quality problem, they would have the power to order work stoppage or redoing faulty work and to assign economic responsibility. This is a change from the method of having party A supervise and control or administer supervision and control, and to have this work now rather carried out by a third party, i.e. institute supervision and control by society.

This method of contracting for the whole continuous process has on the one hand the beneficial effect of saving investment and reducing costs, and on the other hand, of enhancing the quality of the engineering work. Because designing and actual construction are contracted for at the same time, costs can be immediately computed, and this gives added initiative to our side in negotiations with foreign businessmen. For instance, in the case of the special-use factory building for the Danhua enterprise, set up as a joint venture with the Danish [Yadi] Co. for the manufacture of bicycles, the structure occupied an area of 11,000 sq m and was constructed in the short time of only 4 months. The quality, furthermore, was completely in accordance with the requirements of the design. When our friends from Denmark saw this, they unanimously praised the accomplishment and considered it on par with all the world's first-class factory buildings.

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ECONOMIC DEVELOPMENT ZONES

LAND RENT, DEVELOPMENT FEES IN GUANGZHOU EDZ

Guangzhou NANFANG JINGJI [SOUTH CHINA'S ECONOMY] in Chinese No 5, Oct 85 pp 26-28

[Article by Feng Lei [7458 5623]: "Some Questions Regarding the Land Rental and Development Fees in the Guangzhou Economic Development Zone"]

[Text] 1. Raising Some Questions

Since the initiation of the Guangzhou Economic and Technological Development Zone [EDZ] in 1984, work of a certain initial scope has been successfully accomplished in land development and in the construction of the so-called "seven components" of the infrastructure. On 9 April of this year, furthermore, "Provisional Land Regulations for the Guangzhou EDZ" were promulgated, prescribing the following land rental fees for the use of land in the EDZ:

Land for industrial, communications, transportation purposes	2 yuan/sq m
Land for scientific and research purposes	1 " "
Land for commercial, service trade, warehouse and storage purposes	12 " "
Land for purposes of tourism	9 " "
Land for residences built for commercial purposes	8 " "

However, we have found, on preliminary examination, that there are aspects in this system that are not yet altogether satisfactory and would be worth further consideration.

First, the nature of the EDZ's land rental fee is not clear. This fee is levied every year from the users of the land, therefore, judging by the form of the levy, it seems to be in the nature of a land tax. However, the EDZ land rental fee is financially controlled by the EDZ and used for the reproduction of the municipal administration's infrastructure and the

expansion of such reproduction. If we, therefore, judge by the form of its administrative jurisdiction, it is again not of a tax nature. Where then does this rental fee belong? How are we to determine its administrative form? These are questions which the EDZ has so far not yet clarified.

Second, there is no rational basis for the rates at which the EDZ land rental fee is charged. The Guangzhou fee is charged at 80 percent of the rates in the Shenzhen readjustment program of December 1984, which is taken as model, but the Shenzhen land rental fee was merely fixed according to land rental rates charged during the initial period, when that area was still only a processing zone for exports to Southeast Asia; it has never been theoretically assessed and affirmed. As a result, it was adjusted and readjusted again and again after its promulgation, and lost all appearance of stability. If the Guangzhou EDZ takes the Shenzhen land rental fee as its model in determining its own land rental fee, it will not only equally lose its stability, but also its independence. Moreover, looking at the figures currently published as the rates of rental fees, these fees are particularly low and insufficient to support the simplest reproduction of municipal infrastructure, not to speak of any expansion of such reproduction; they will also not be sufficient to support the proper supervision of the land to ensure that it is used rationally.

Third, the Guangzhou EDZ's land rental fee is promulgated only in the form of a "preliminary regulation," without effect of law, and this will be the source of much unnecessary trouble for the EDZ, such as defaults in payments, prevarications, etc.

The key to the series of problems created by the EDZ land rental fee are the misconceptions in such questions as the principle of compensated land use in socialism, the method of computing land rents in socialism, etc. There is also the question of the land development fee in the Guangzhou EDZ, which was basically fixed at 225 yuan per sq m. The manner in which this charge was fixed is also somewhat questionable and would appear worth further deliberation. The following are some ideas which I humbly present with regard to these questions.

2. Theoretical Basis for the Collection of Land Rental Fees in the EDZ

The compensated use of land presupposes the existence of land tenancy. The question then is: does this economic category, land tenancy, still exist in the socialist public ownership system of China?

First, in the stage of commodity production, which China is currently still going through, each producer of commodities has relatively independent economic benefits and demands that all exchanges of commodities are carried out at equal value. The means of production, being commodities, can also not be used or occupied without compensation. This is a consequence of the inequality of economic benefits under the conditions of commodity economy, and is one of the premises for the compensated use of land. Second, land ownership still exists in China. The socialist system of public ownership merely replaced private ownership of land, but did not abolish land ownership as such. At China's current stage, land is owned either by the state or by

the collective, and there is a division of the ownership of land and the use right of land. To evidence the state ownership of the urban land under the conditions of commodity production, it is therefore necessary to charge the commodity producers who use the land of the state a certain fee, which now, in the case of the EDZ, is called "land rental fee." This is in all respects a result of the monopoly of land ownership; it is also the "absolute rent" in Marxist literature.

Under the conditions of socialism in China, there is not only absolute rent, but also differential land rent. Absolute rent is the precondition for differential rent, but the reason for differential rent is the monopoly of the land use right. In China, land is limited, especially good land. As soon as the commodity producer obtains the land use right, he, therefore, obtains the monopolistic right of use of that particular piece of land. This monopolistic right of use will later yield profits for the commodity producer. There are, first of all, differences in soil fertility and in distances from markets (especially important in the case of land rent in built-up urban areas), so that even with differential land rent, the land will yield unequal profits. Second, because the same amount of investment may have different effects on different pieces of land, the consequence will be that the same investment may yield different economic results. In the socialist society, the commodity producers are the masters of the country; they have the status of legal persons and have the right to demand equal production conditions and equal competitive opportunities. When there is differentiated land income, one should therefore levy a differential land rent that will go to the state, in order to balance out the unequal benefits created by natural conditions. We should therefore include in the land use fee a differential land rent.

On the question of compensated use of socialist means of production (including land), Engels in his book "On the Housing Question" had very early on pointed out: "...these houses, factories, etc. would hardly be allowed to be used--at least in the transitional period--by individuals and associations without compensation. Equally, the abolition of private property in land is not the abolition of ground rent, but demands its transfer--although in a modified form--to society. In any case, the ownership of all tools of production by the working people, does not, therefore, preclude the further maintenance of renting and leasing." (Footnote 1) ("The Selected Works of Marx and Engels," Vol 2, pp 544-545) Moreover, in a place so closely linked with foreign parties as the Guangzhou EDZ, the division of land ownership and land use right occurs between China, a socialist country, and capitalists of foreign countries. In this case the land ownership right appears particularly important, and its demand in economic respects of growing intensity.

3. Quantitative Determination of EDZ Land Rental Fees and the Form of Their Administrative Management

Land use charges in the EDZ comprise absolute rent and differential rent, in other words, land use fee = total land rent. As to the computation of land rent in urban built-up areas, Marx pointed out in "Das Kapital" Vol 3: "As to lands used for buildings, Adam Smith has explained that the basis of their rent, like that of all land not employed in agriculture, is regulated by the agricultural rent." (Footnote 2) ("Das Kapital," Vol 3, p 371) Furthermore,

in the "Theory of Surplus Value," Vol 2, he demonstrated the method of computing total rent for agricultural land. After discarding its capitalist form, this tenet and its method would absolutely fit the computation of land rental fees for the Guangzhou EDZ. We can demonstrate this with the following formulae:

absolute rent = market value of agricultural product -
specific value of agricultural product;
differential rent = specific value of agricultural product -
production cost of specific agricultural product;
Thus, total land rent = market value of agricultural product -
specific production cost of agricultural product;
= land use fee.

However, this method of calculating can not currently be applied comprehensively all over China, because of the irrational market values of agricultural products in China. The procurement prices of a considerable portion of agricultural products are in an upside-down relation with retail prices. Furthermore, all prices, once fixed, have never been changed for 10 or several tens of years. These prices not only fail to truly reflect the production costs of the agricultural products, but also fail to reflect the supply and demand situation in the market for agricultural products. The market value of agricultural products must not, therefore, be calculated at the current market supply prices. Is it then not possible to consider making a one-time sampling and check of the integral makeup of agriculture and of production costs for grain in the Guangzhou area, to arrive at an accurate estimate of production costs of agricultural products on low-grade soil and on this basis determine rational market values for agricultural products. Furthermore, since the Guangzhou EDZ relies mainly on the use of foreign capital, we should also take note of prices of agricultural products on the international market, when determining market prices for agricultural products. This would render the land rentals in the Guangzhou EDZ much more rational. Second, to estimate the average profit rate of industry and arrive at the specific production costs of agricultural products, we should again calculate the land rental fee according to the above-stated formulae.

There are problems not only in the quantitative determination of the rental fees in the EDZ, but the form in which the fee is being administered is in some respects not altogether rational. The land rental fees are derived from the land ownership right. In an area so closely linked to foreign parties as the Guangzhou EDZ, the land rental fee should manifest much more strongly the state's ownership right and should receive legal protection by the state. It would therefore in my opinion seem more appropriate for the land administration of the EDZ to replace the land rental fee with a land tax, for the following reasons:

(1) A land tax is by nature clearly defined; it is one of the forms of revenue under the state's financial control and also a revenue to be shared between state and local authorities. Turning the land rental fee into a land tax will, on the one hand, realize the state ownership of the land in economic respects, and the distribution of land tax revenue between the state and the EDZ will be beneficial in allowing the state to make overall arrangement

regarding this part of funds and will also be beneficial for the financial administration of the EDZ.

(2) The quantitative determination of the land tax is based on the current agricultural land tax; prescribing uniform land tax rates and differential land tax rates, by sectors of land and by types of land use, would be beneficial for the institution of a quantitatively well-proportioned land administration by the EDZ of all the various grades of land. Moreover, since the land tax would have an accurate value base, it would not lead to any irrational softening in the collection of fees merely for the sake of attracting foreign capital and would ensure obtaining a rational revenue for the nation's land.

(3) Taxation would be promulgated in the form of law; it would be protected by law and duly supervised in its implementation. It would have a much stronger mandatory character than only general rules and regulations, and thereby prevent or reduce cases of procrastination of payments in whatever form, as it would also facilitate the land administration in the EDZ. Furthermore, the articles of a law are of a relative stability, so that changing the lend rental fees into a land tax would certainly lend greater stability and independence to the norms governing rental collection and bring about a combination of EDZ's general administration, economic administration and judicial administration to form an independent system of land administration in the EDZ.

(4) Foreign businessmen coming to China to invest must overcome many psychological obstacles. Their greatest anxiety is a possible instability of policy. They demand solid legal provisions for the protection of their legitimate rights and interests. For the Guangzhou EDZ, with its many foreign relations, the enactement of a perfect legal system is undoubtedly most important in its efforts to attract foreign capital. The replacement of the land use fee by a land tax would therefore impart the nature of law to all of the EDZ's administrative measures of economic control, which would instill more confidence among foreign businessmen in the construction of the EDZ. Moreover, collection of a land tax by the EDZ would be a procedure similar to practices abroad, therefore also beneficial toward breaking down the psychological aloofness of foreign businessmen coming to China to invest.

4. The Value Base for the Land Development Fee in the EDZ

Another important question in the land administration of the EDZ is the question of computing and administering its land development fee. The land which the EDZ provides to its land users is land that has been built up by the development of the "seven-and-one components" of the infrastructure. When obtaining the land use right, the user must therefore pay to the EDZ the costs expended on the land development and a certain profit, which altogether is called the land development fee. This includes: the compensation paid to the peasants by the state for the expropriation of the land (composed of land compensation, crop expenses, resettlement fees, irrigation compensation and building compensation), the costs of providing the "seven-and-one components" of the infrastructure, loan interests and a certain rate of profits. It is not difficult to see that the land development fee of the EDZ corresponds to the

Hong Kong "assessment of rental" (what is generally called the land value). However, when we look at the 225 yuan per sq m, which is the current standard fee prescribed by the Guangzhou EDZ, this small fee simply cannot be mentioned in the same breath as a true land value. In Hong Kong, not even considering the Zhonghuan district with its enormous land values, but rather considering the land of the New Territory, where conditions are similar to Shenzhen, the prices at which land was transacted in January of 1984 were: highest price for industrial land 1,123 yuan per sq m (converted to RMB) and lowest price 528 yuan per sq m; highest price for residential land 460 yuan and lowest price 134 yuan per sq m; and for nonindustrial land 3,379 yuan per sq m. Even in the Bagualing district of the Shenzhen special economic zone [SEZ], which has an investment environment that is inferior to the Guangzhou EDZ's land, the land development fee is 233.9 yuan per sq m, while the compensation for expropriation of Shenzhen land was much lower than in the Guangzhou EDZ, and the "three-and-one component" infrastructure expenditure was levied as part of the land use levy. Under these conditions, the development fee at Shenzhen was still higher than in the Guangzhou EDZ; what could be the reasons for that?

In our investigations we found out that the reason for fixing the Guangzhou EDZ's land development fee so low was, first of all, that the EDZ, at the time of fixing the fee, had adopted as its guiding ideology to be below Shenzhen and Guangzhou City, only intent on attracting foreign capital and without any idea of reciprocity and mutual benefit. A low land price, therefore, was, right at the beginning and made for favorable terms of treatment, the development fee and its rates were amended downward, and the current 225 yuan per sq m arrived at. However, when instituting a policy of favorable treatment in the EDZ, we must realize that those who come to China to invest will rather primarily consider the stability of the political situation and of policies, secondly whether the investment land has a strong industrial base, and thirdly, whether the investment area is well linked up with the hinterland, i.e. whether it will be possible to open up a broad domestic market. Fourthly the will pay attention to whether the investment area has a complete infrastructure and also whether the leadership of the administrations at all levels are free from antiquated ideas. Thus, the land development fee will not play the important role in the investment environment as imagined by the EDZ leadership. Furthermore, the Guangzhou EDZ is in all the above respects in a better position than the Shenzhen SEZ and the city of Guangzhou, so that it may not be so generous with favorable terms in the form of low development fees and still achieve the objective of attracting foreign capital.

These are some question concerning the ideology that guided the determination of land development fee rates, but even more important and of a more direct effect is the somewhat irrational computation of the land compensation paid to the peasants, a problem which also exists in other zones.

The expropriation of land from the peasants in the Guangzhou EDZ actually amounts to a transfer of the ownership right from the hands of the collective peasants to the hands of the state. The expropriation fee, therefore, amounts to the price at which the peasants transfer the land (although China's "Land Law" has no provision for sales, or prices), and the land value is capitalized land rent:

$$\text{land value} = \frac{\text{land rent}}{\text{bank interest rate}}$$

However, the Huangpu Xingang area in the Guangzhou EDZ is famous for always producing excellent crops of such fruits as high-grade bananas and sugarcane. If the expropriation would have rigidly applied the "Enforcement Regulations Regarding the Expropriation of Land Needed for National Construction and for the Demolition or Removal of Houses in Guangzhou Municipality," which include the provision that compensation should be calculated at 6 to 7 times the value of the annual agricultural production, for which the average annual production value of the 3 years prior to expropriation is to be taken as criterion, it would mean in the Guangzhou EDZ using the average annual value of the period from 1981 to 1983. However, there has been an upward tendency in the current domestic market prices for fruit. For instance, the average annual market price of sugarcane during the period 1981 to 1983 was fluctuating between 0.8 [as published] to 0.12 yuan per jin, but had risen to between 0.12 and 0.20 yuan per jin in 1984, while there was no corresponding change in the expropriation compensation paid by the EDZ. The peasants, of course, were the losers, and the beneficiary was not the state, also not the zone's finances, but the actual users of the zone's land, which means, the Chinese-foreign joint ventures, cooperative management enterprises and some enterprises with hinterland connections. To avoid an irrational situation like this, an accurate basis must be established for the value when computing compensations for expropriations. It means, first of all, to fix the overall rent for the EDZ (according to the method previously described), divided by the bank loan interest rate for the years in question; this should result in a more rational expropriation compensation, since the current rate in the EDZ of 20,100 yuan per mu is too low. We must have a clear understanding in this matter, because the past method of relying on picking on the peasants to develop our industrialization won't do in today's modernization construction.

Another important component in the development fee is the compensation for investments for the construction of the land's infrastructure. This is so because: first, under the current conditions of commodity economy in China, the infrastructure in urban areas is also of a commodity character, for which compensation may be demanded according to the principle of exchange at equal value. Second, urban construction is an important sector of material production in the society, which must have its regular channels of value compensation and circulation processes. Third, the users of the urban infrastructure are the real beneficiaries, and under the conditions of commodity production, compensation for the infrastructure manifests a discrepancy of various economic benefits in society. Therefore the investment in the urban land demands that a compensation be obtained as a part of the development fee. The current investment in infrastructure in the Guangzhou EDZ, calculated at the current market prices, is estimated at 160 yuan per sq m. However, since "assessment of rental" was not completed at one time for all the land of the EDZ, but will take 5 years according to estimates, consideration must also be given to the changes due to commodity price changes in the domestic market and the international inflation rate.

In the Guangzhou EDZ, the investment in the infrastructure was financed by

bank loans. It is therefore necessary to include in the development fee a proportionate part of the compensation for bank interests. The current bank loans in the EDZ are obtained at an interest rate of 4.2 percent, but the "assessment of rental" period is estimated to be 5 years. When calculating the amount of interest, the changes in the interest rates of the market have to be reflected. Furthermore, the Guangzhou EDZ relies mainly on foreign capital, and the interest rates on the international money market, even under the most favorable conditions are far above the domestic level. For instance, the prime interest rate of the Hong Kong commercial banks in 1984 was 12 percent; on 21 January of 1985 it was 10.5 percent. Taking this factor into consideration under the current conditions of a shortage of funds in China would, therefore, render the development fee somewhat more rational.

Finally, there is only a 5 percent profit in the development of land in the Guangzhou EDZ, which is undoubtedly a very low profit rate. It was adopted mainly because the development of the zone was guided not by considerations of profit as the objective of the development, but to provide land at favorable terms to attract foreign capital. This way of thinking can hardly be criticized for the initial period of the zone's construction, but when we analyze how the interest rate should be fixed, we must weigh all factors in the investment environment as a whole, and may under otherwise favorable conditions perhaps be somewhat less generous in our favorable land development fee terms, turn our land resource into greater wealth, accumulate more capital for the EDZ and accelerate the success for the EDZ.

By the above analyses, we can obtain the following formula for the computation of the land development fee of the Guangzhou EDZ:

Development fee = land expropriation compensation + investment costs + amount of interests + profit + any other expenses. We can also see that the development fee of 225 yuan per sq m, currently prescribed for the Guangzhou EDZ, is by far below normal urban land values, and does not reflect the true rental value of the Guangzhou EDZ, or the land supply and demand condition in the market. The calculation of a true land development fee is therefore still awaiting further study.

9808
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ECONOMIC DEVELOPMENT ZONES

BRIEFS

LIAONING'S DALIAN DEVELOPMENT ZONE--The Dalian economic and technical development zone of Liaoning Province made marked progress in enforcing the policy opening to the outside. In 1984 the development zone introduced 253 technical items whose volume of business was 190 percent over the total figure scored in the past 5 years. By utilizing outside funds in 1985, the zone introduced 450 technical items, a 78 percent increase over the 1984 figure. Of these technical items introduced in 1984 and 1985, 180 projects were completely built, which enabled 130 enterprises to renovate their technology in varying degrees, and which added more than 400 new products. A new increase of 650 million yuan in output value was scored in addition to a new increase of 150 million yuan of profits and taxes handed over to the state. [Excerpts] [Shenyang LIAONING RIBAO in Chinese 20 Feb 86 p 1 SK] /9599

CSO: 4006/826

ECONOMIC PLANNING

URGENT NEED FOR REFORM OF STATISTICAL WORK IN ECONOMIC WORK

Beijing TONGJI YANJIU [STATISTICAL RESEARCH] in Chinese No 4, 7 Dec 85 pp 13-16

[Article by Cheng Quanfa [4453 0356 4099] and Ouyang Kui [2962 7122 7608] of Shashi Municipal Statistical Bureau, Hubei: "Reform in Statistical Work To Be Accelerated in Economic Structural Reform"]

[Text] I. In the course of the economic structural reform, Shashi Municipal Statistical Bureau has produced a great deal of statistical data, analyses and reports, and played a fairly good role in the way of services and supervision. In reflecting the new developments and new problems during the structural reform, however, it has encountered many difficulties because of the present highly centralized statistics system which is far from adequate for these requirements.

China's current statistical index system is originally incomplete and has difficulties in clearly reflecting many problems, such as the reorganization of integration, economic responsibility, technology imports, and the substitution of tax payment for profit delivery, that have emerged during the economic structural reform. The intensification of this reform has greatly disrupted the original division of work among different trades and obliterated the demarcation lines between different departments, regions and ownership systems. Now small projects can be started without the procedures for approval; enterprises can negotiate with foreign traders independently; and export output value need not be reported to, and can even be kept secret from the foreign trade bureau. Thus if the figures on many items, such as the retail sales volume, the fixed asset investment, and the total procurement value for foreign trade, are reported to the higher levels along the same channels as before, the statistics are most likely to be incomplete. After the decentralization of power and the invigoration of enterprises, some enterprises are unwilling to report some statistical figures truthfully, lest their own, or their workers' interests may be affected. An industrial enterprise actually incurred a loss of 100,000 yuan, but fraudulently reported a profit of 320,000 yuan by leaving 420,000 yuan of operating expenses and workshop expenses out of the production cost. And this is not the only enterprise to use such tactics. Since the open-door policy has strengthened the lateral relations, the demands for statistical data from various quarters are becoming increasingly numerous and urgent, and we are unable to satisfy

their wants not only for the classifications of indices, but also for speed. The feedback is slower, because it generally takes one-and-half months to come from the provincial statistical bureau and 2 months from the State Statistical Bureau. Thus many important statistical data have failed to produce the desired result. This situation is inconsistent with the progress of the information age.

II. To meet the requirements of the economic structural reform, the reform of statistical work must proceed from its own task of not only serving, but also supervising the reform of the urban economic structure. It is thus necessary for statistical work itself to be reformed according to the requirements of the economic structural reform. Instead of making minor adjustments in the tables of indices, we should look far ahead, reform and improve the index system, and gradually set up a statistics accounting system with typical Chinese characteristics.

1. Leave the Door Wide Open, Face the Society

China has for a long time closed itself to international intercourse and become poor and backward as a result. After summing up its historical experiences, the Party Central Committee resolutely adopted the open-door policy. This was a strategic policy decision to accelerate its four modernizations.

To meet the requirements of the open-door policy and to serve the economic structural reform more efficiently, statistical work must change from a closed-door to an open-door type and must leave the door wide open and face the society. Provided the state security is not jeopardized, it must supply the huge amount of statistical information, now slumbering in the data storage, to all the departments and units that may need it. In 1983, we began to compile and publish the STATISTICS YEARBOOK of social economy. This year, we again compiled and published the STATISTICAL INFORMATION, and expanded the sphere of distribution of the original STATISTICAL DATA. Through the newspapers and the radio, we have also made occasional announcements of the statistical data concerning the social and economic developments as well as the people's living conditions. To increase our source of information, we have established contacts with 70 cities in the country for the regular exchange of information, joined the statistical information associations in 25 small and medium-size cities, formed an information network of 30 key enterprises, and supplied monthly statistical analyses and reports. Thus we have not only made better use of statistics in its roles of service and supervision, but also increased the effects of statistical information on the society, raised its social position, and further improved its quality under social supervision.

2. Substitute the New for the Old, Reform the Index System

Along with the intensification of the economic structural reform and the orientation of statistical service to the society, the demands for statistical information have continued to increase. The current index tables are too complicated and should be simplified. Some of them are out-dated and due for elimination, while many indices reflecting new economic phenomena should be

supplemented. On the whole, the entire index system should be updated and reformed from the macroeconomic point of view.

First, the reform and improvement of the social, economic, and the scientific and technological index systems. The present economic index system is still inadequate and should be supplemented in the following four aspects. First, in the economic result index system. At present, the index system is fairly complete only for industrial economic results, but not for the other material production branches, some of which do not even have such a system. Therefore, a complete index system must be set up for the entire national economy. Second, in the price index system. At present, only the price indices concerning consumption in the workers' daily life and the retail sales are included in the periodical statistical system, while there is only a trial plan for the price index of industrial products. For construction, transportation, posts and telecommunications, and agricultural sideline products, the price index is in some cases basically nonexistent. The price index system must be improved before it can help in analyzing the trend of change in the total social price. Third, in the index system for various special statistics and for the overall balance. All indices of special statistics are being handled separately and do not agree with the index of overall balance. This disagreement not only creates contradictions in the statistics figures, but also adds to the difficulties in overall balancing. Therefore, this system should be reformed. Fourth, in the retail sales index system. For urban reform, we should stimulate the circulation which should be reflected in a retail sales index system. In the industrial branches, there is only a gross sales income, and it is difficult to tell the sales volume in the city, in the province, in the country, or abroad separately. If we look at the total sales in the commercial sector, it would also be difficult to find out the ratio between the local products and the products of other places that have been sold. Only a more detailed sales index system can reflect the competitive power of a city's product on the various markets.

Compared with the index system of economic statistics, that of social statistics is even more inadequate. We may even say that the index system for social statistics is still nonexistent. The major social phenomena must be classified by structures and levels to form a social statistics index system be included in the state's statistical system so that it can help in the development of various social undertakings.

The index system for statistics on scientific and technological progress, theoretically speaking, can be included in that of social statistics. However, we to keep it separate as a parallel to social and economic index systems. As for the index system for scientific and technological progress, we may tentatively divide it into three levels. At the first level is the basic index of scientific and technological progress, including the indices of the personnel, the expenses, the equipment and the organizations of science and technology. The second level includes the indices of scientific research projects, the scientific and technological achievements, the imported advanced technologies, and the proportion of enterprises of the technology-intensive type. The third level includes the indices of the actual economic benefits produced by the application of science and technology in production, or, in other words, the transformation of science and technology into productive

forces and then into wealth. At this level, the labor productivity in terms of real products and the output value produced by advanced technologies may serve as indicators.

Second, the index system of statistics on the development of material and spiritual civilizations, the two major tasks which must be accomplished in the process of China's modernization. If we want to follow this policy and promptly reflect the progress in these two tasks, we must have these two index systems. The system reflecting the development of material civilization should include the national income per capita, the income per capita for living expenses, the housing conditions, the number of durable commodities per 100 households, and the quantity of high-grade woolen fabrics and food consumed per person each year. The system reflecting the development of spiritual civilization includes the cultural standards of the population, the social security, the environment protection, the divorce rate, the age of first marriage, tree-planting in the cities, the standards of medical treatment, the amount of travel time and off-duty time per person each year, and the spare-time utilization rate. These indices generally reflect the relationship between the social conduct and the new type of society. The index system reflecting the spiritual development cannot become comprehensive overnight, and should be constantly improved in practice.

Third, the index system of statistics on the strategic objective. According to the decision of the Party Central Committee, the strategic objective is to quadruple the GVIAO and to increase the per capita GNP to $800-1,000. The GVIAO is commonly used in China and quite familiar to the leadership at all levels, and the GNP is convenient for comparison with Western countries. In the study of important issues, however, both of these indices are of only limited value. The scope of GVIAO is not so broad as that of total social output which reflects the total result of social production more comprehensively. The GNP and the national income belong to two different accounting categories. The central authorities calls for the development of the tertiary industry and the accounting of the GNP. This is an important policy decision in the interest of China's modernization program and must be resolutely implemented. However, instead of mechanically copying from the scope of tertiary industry in foreign countries, we must consider the actual conditions in China. For example, the monks and priests of foreign countries are under the category of tertiary industry. The conditions are different in China. Moreover, the government and the armed forces also belong to tertiary industry. This is contrary to the theory of the sequence of the social development of the three industries. We believe that the goverment, military and religious occupations should be neither included in the tertiary industry nor be accounted for in the GNP. There are also many contradictions between the theoretical and the practical calculation of national income. For example, if posts and telecommunications are arbitrarily divided into material production and nonmaterial production, it will be very difficult to determine the result of an integral unit. In some large vessels, the passenger cabins are on the upper level and the cargo compartments are on the lower level. The cost of production is always shown in a lump sum and cannot be easily divided.

There are contradictions among these indices in either theory or practice. Before resolving these contradictions, we are in favor of counting the total

social output value, the GVIAO, the national income and the GNP all together, so that the statistics will be all-inclusive and we can have more initiative in our work. When we have acquired more knowledge after a period of practice, we can select the strong points and discard the weak points in both the Chinese and the foreign system. We need not copy mechanically from the Western system, or be restricted by the oriental conventions, and will then be able to set up a typical Chinese statistical system that is suitable for China's national conditions.

3. Methods of Reform in Statistics

For more than 30 years, we have used the methods of comprehensive statistical reports and investigations and are now helpless in the face of the new developments and new problems which are continuing to crop up during the economic reform. The economic reform in rural areas have fundamentally shaken the faith in "most report forms." We must draw some experience from the rural reform, and change the present method of statistical investigation during the reform of the urban economic structure. We must adopt flexible and diversified methods in investigating various social and economic phenomena. For the enterprises directly under the departments in charge or under the companies, or the enterprises with a fairly good foundation, we continued the system of submitting reports level by level. For the enterprises run by townships, schools or villages, and for the small stores, the country fairs, the construction teams and transportation teams of peasants, however, we adopted the methods of sample surveys and investigations of typical cases, and then collected data from the tax bureaus, the industry and commerce administrations, and the banks to supplement and verify our findings. Making full use of various flexible and noncomprehensive surveys, we have gained many fairly accurate materials for some major statistical indices, such as the data concerning the income from cargo transportation, the amount of work in construction and installation, the volume of retail sales, the number of houses built by private individuals, and the per-capita floorspace, which cannot be correctly reflected in report forms. At the same time, we felt encouraged to delve into the realities and to investigate and study the objective conditions, thus improving the quality of the statistical figures and raising the standards of the statistical personnel and their work.

In reforming the statistical methods, besides the method of sampling, we should use many other mathematical methods, such as regression, correlation, and time series which are particularly useful for statistical deduction and forecast.

At the same time, we should strengthen our urban economy survey teams and the agricultural produce survey teams to form two strong arms of a comprehensive statistical department. In addition to surveying the prices and the household economy, they should investigate into the new developments and new problems appearing during the economic structural reform.

In reforming the statistical methods, some supplementary reforms should also be carried out for those methods of calculation which are obviously incompatible with the economic structural reform. For example, in calculating the net output value, we arrived at the amounts of taxes and profits due which

presented a fictitious appearance of the national income. From the end of 1981 to 1984, Shashi's textiles were heavily over-stocked as a result of poor sales. The taxes and profits based on the output value continued to increase, whereas the taxes actually paid and the profits actually delivered continued to decrease every year. Each year, the loss from cut prices in the disposal of over-stocked goods amounted to tens of millions of yuan, more than 10 percent of the national income. Despite their stockpiles, the enterprises still desperately continued to increase their output value, and had to obtain bank loans to maintain their production. Thus the more they produced, the heavier the stockpiles became, leading to the increase in loans and the deterioration of economic results in a vicious cycle. Although this was primarily the unfortunate outcome of a blind quest for output value, the irrational methods of statistical calculation also had something to do with it. The reform in the method of calculating the net output value must be accompanied by a reform in the methods of calculating the output and the gross output value. The original method of calculating the output and the gross output value must be changed so that the calculations must be based on the products that have passed the inspection after the final work process, have been packaged and stored, and have been sold after leaving the factory. This reform has many advantages, especially in rectifying the long-standing error of one-sidedly striving for output value, and thereby achieving a basic identity of the gross output value with the economic results. In the reform of construction enterprises, the system of fixing the amount of wages for every 100 yuan's worth of finished work is consistent with the principle of paying according to work done, and has greatly increased the workers' efficiency. However, some workers trying to get better wages have used good materials lavishly and ignored the need for raw material conservation. In calculating the output value, on which the amount of wages is based, the substitution of net output value for gross output value will eliminate this defect and more effectively meet the requirements of the reform.

III. The objective of the urban economic structural reform is to invigorate the economy. Statistical work too should be invigorated before it may suit the development of the situation.

In theory, statistical work is divided into three stages, namely the stages of statistical investigation, statistical processing and statistical analysis. Without statistical analysis, the work of statistics can be only be considered half done. Greater emphasis on the importance of statistical analysis is, therefore, an important way to improve the service of statistics and to invigorate the statistical work.

Now, the leadership at various levels want to have the analyses of the new developments and new problems appearing in the course of the economic structural reform. The required data are not contained in the statistics report forms. We must conduct in-depth investigations, process the relevant data, and write our statistical analysis reports. In the 5 years from 1980 to 1985, we wrote 405 such reports and the proportion of the reports which produced the desired results was increased from 50 percent of the past to about 80 percent. About 10 percent of these reports were published in various publications, including those for internal circulation. Statistical analysis has brought profound changes in statistical work. From the narrow confines of

report forms, the statistics personnel have now entered a big world, and the former insipid figures have become alive and interesting. Formerly, the municipal authorities regarded our department as merely an agency to submit reports to the state. Except for the figures submitted, the work of statistics did not receive much attention. The development of our analytical research created a "storm" in the city and captured the leadership's attention. Now, we are invited to attend some of the important economic conferences in the city. The work of statistics has now received social recognition, and the people requesting our materials are more and more numerous. The rise ofits social position has enabled statistical work to play its role more effectively.

IV. Statistics is a labor-intensive undertaking, since the verification of reports, the recording, itemizing, processing of data, and their printing and proof-reading involve many work sequences. The voluminous figures also add to the workload, and the quality of these figures can hardly be guaranteed even though the statistical personnel work overtime. This type of manual work, like the small-scale production of handicraft industry, is far from adequate for the needs of economic structural reform in the cities. The "Statistics Law" and the State Council's "Decision Concerning the Strengthening of Statistical Work" have explicitly called for the modernization of the techniques for calculation in statistics and for the transfer of data.

Our microcomputers have been installed. We have undertaken the tasks of calculation and collection of data concerning industry, population, household economy, commodity price and fixed asset investment, and demonstrated our superiority in the supply of timely statistical information. We are even more efficient in preparing voluminous tables. Formerly, with the use of calculators, each person had to spend one week in calculating the average life expectancy of the total population, the males and the females. Now, with microcomputers, only 2 hours are required and the result is fool-proof. Thus many statistical workers can be free from the humdrum of figure work and can devote more time to statistical surveys and analytical research. If we are equipped with terminals and a national computer network is formed together with an automatic system of data processing and transmission and the necessary data storage facilities, it will then be a big liberation for the work and the personnel of statistics and their contributions to China's four-modernization drive cannot be easily estimated.

9411
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AGGREGATE ECONOMIC DATA

ANHUI'S TOWNSHIP, TOWN ENTERPRISES EXPANDED IN 1985

Hefei ANHUI RIBAO in Chinese 28 Jan 86 p 1

[Article: "Township and Town Enterprises in Anhui Undergo Major Development in 1985; Their Value of Output Surpassed 100 Million Yuan in 45 Counties and 200 Million Yuan in 5 Counties and the Suburbs of One City"]

[Text] In 1985, the output value of township and town enterprises in Anhui Province surpassed the 200 million yuan barrier for the first time in Dangtu, Huaiyuan, Tianchang, Huaining and Tongcheng Counties and in the suburbs of Hefei City, and they achieved a relatively high rate of development and fairly good economic results. Output value was greatest in the suburbs of Hefei City, reaching 269 million yuan, up by 67.3 percent over 1984. The rate of growth was fastest in Dangtu County, where output value rose from 118.46 million yuan in 1984 to 246.51 million yuan in 1985, a net increase of 128.05 million yuan, more than double the previous year.

According to early reports from all prefectures, the number of counties in which the value of output in enterprises exceeded 100 million yuan leapt from one in 1983 and 15 in 1984 to 45 in 1985.

Survey analysis indicates that the "rich and influential" among township and town enterprises were able to maintain a rather high rate of development primarily because leadership at the county level focused on development of the enterprises as a major strategic measure for invigoration of the rural economy, resolutely took reality as the starting point, made full use of local advantages, and paid attention to horizontal relationships and technical transformation within the enterprises to achieve a significant increase in their competitiveness and adaptability.

12539/12795
CSO: 4006/767

ECONOMIC MANAGEMENT

STATE ECONOMIC COMMISSION URGES BETTER HORIZONTAL LINKAGE

Fuzhou FUJIAN RIBAO in Chinese 20 Jan 86 p 4

[Article by RENMIN RIBAO correspondent Wang Tianduo [3769 1131 6995] and XINHUA correspondent Xu Yaozhong [1776 5069 0022]: "Grasp Promotion of Horizontal Economic Links as This Year's Important Task--An Official of the State Economic Commission Puts Forward Six Demands"]

[Text] Beijing, 19 Jan (XINHUA)--To implement the spirit of Premier Zhao Ziyang's pronouncement emphasizing linkages and urging reforms, to seriously enhance horizontal economic linkages, especially between enterprises, across the boundaries of localities and sectors, and to accept this as an important task of this year, an official of the State Economic Commission today put forward six demands:

1. Enhance knowledge, review experience: Conscientiously study the spirit of Comrade Zhao Ziyang's speeches at the National Planning Commission meeting and at the economic work meeting, and study the related directives of the central authorities, persist in reform, systematically sum up all accumulated experiences and unify thought and knowledge.

2. Carry out horizontal linkages as an important way to enhance economic results: By means of effecting horizontal economic linkages, promote adjustment of the industrial structure, stimulate technological progress, bring about an intensive expansion of reproduction and promote the rational distribution of local economies.

3. Bring the role of key cities more effectively into play in horizontal economic linkages: The key cities must use their superiority in the fields of industry, science and technology, availability of talent, in circulation, finance and information to full advantage, for the promotion of multifaceted horizontal linkages.

4. All industries and trades in whatever localities must draw up plans for the development of support and promotion of horizontal linkages: By means of horizontal linkages, full use must be made of all advantages in the various localities, industries, trades and enterprises. Major linkage projects must be made part of the plan, and rational dispositions and harmonious coordination must be achieved.

5. Continue effective efforts to exactly fit support to the needs of the situation: Make it an essential part of launching horizontal linkages that support be exactly geared to the needs of "outmoded, sparsely populated, border area, and poor" districts. This support, which must be geared to the exact needs of the localities, must maintain the principle of mutual assistance and mutual benefit, must be conducted according to economic rules, and must also stress proper workstyle and consideration of the overall situation.

6. Attention must be paid to the continuous analysis and study of the new situations and new problems arising from horizontal linkages. Horizontal linkages are a new thing. The new problems that are being met with in this work must be subjected to further theoretical exploration; we must launch policy studies, draw up appropriate measures, and do a good job of supporting this work with our policies and of safeguarding it with appropriate legislation.

9808
CSO: 4006/743

FINANCE AND BANKING

ISSUANCE OF INTERNATIONAL BONDS DISCUSSED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO [JOURNAL OF SHANXI FINANCE AND ECONOMICS COLLEGE]in Chinese No 6, Dec 85 pp 25-27

[Article by Wang Wei [3769 0251]: "A Good Way to Attract Foreign Capital -- Issue International Bonds"]

[Text] In their "Communist Manifesto," Marx and Engels pointed out that the expansion of capitalism had opened up world markets. The former cut off and self-contained state of self-supply for self-sufficiency of places and peoples had been replaced by mutual intercourse among all peoples and all places. Protection and consumption in all countries had become global. Now, the full speed development of science and technology brought about swift development of productivity. Under these circumstances, despite the intricacy of international circumstances and the numerous contradictions, in an overall sense the objective requirements of productivity have made economic and technical cooperation and economic and technical links among nations become extremely necessary. Consequently, modernization cannot rely on self-supply for self-sufficiency and being self-contained and closed off from the rest of the world.

China is a socialist country, of course, that differs in nature from capitalist countries. Furthermore, China's is a planned commodity economy. We realize that a commodity economy is the product of the development of productivity to a certain historical stage, and that development of a commodity economy is a stage that cannot be skipped in the development of a socialist economy. Therefore, we say that development of a commodity economy is an essential condition for the modernization of China's economy. Since both socialism and capitalism have commodity economies, it is imperative that they have a certain relationship with each other. Therefore, whether or not it is possible to make equitable and effective use of both domestic and foreign resources, to open both markets, and to learn two sets of skills has a direct bearing on progress in the four modernizations.

There are many ways of using foreign capital, several of which are currently being widely used in China. Use of these methods plays a definitely active role in China where capital is currently in short supply. However, we have not yet achieved a flexible one, using many channels and methods to attract foreign capital. For example, the effective method of issuing bonds has not

been put to full use in China, and bonds are not in general use among enterprises and within enterprises as is the case in capitalist countries. We know that as capitalist economies developed, international enterprises gradually formed and developed into conglomerates that transcended industries, sectors and national boundaries. The appearance of conglomerates spread subsidiary companies all over the world, and a major source of capital for these derivative companies in different countries of the world was the issuance of company bonds, i.e. it was amassed through the issuance of international bonds. Obviously, the use of international bonds to attract foreign capital is a common practice in capitalist societies, but this effective method has yet to attract sufficiently serious attention in China.

Of course, China is a socialist country that cannot pile debts upon debts as capitalist countries do; however, proper and planned issuance of some international bonds is still entirely possible. This is because of the following:

1. Under guidance of the Party's program for opening to the outside world and enlivening the domestic economy, China's economy is in the process of developing from a closed independent economy to an open multi-national economy. The various enterprises of different sizes that we currently operate were founded in capitalist countries. These enterprises are in a socialist economy that is rooted in capitalist economies. Since they are characterized by a geographical position and their surrounding environment that is not paralleled among domestic enterprises; therefore, the issuance of international bonds among these enterprises to amass foreign capital is entirely possible.

2. As China has opened its doors, the capitalist economy has also gradually expanded toward China. This is currently most conspicuously manifested in the four large economic zones of Shenzhen, Xiamen, Shantou and Zhuhai where individual capitalists and groups are investing energetically and have formed joint venture enterprises of various kinds with China. Were these joint venture enterprises to issue international bonds, the funds they would amass would doubtlessly be of two kinds as follows: One would be capital provided by residents, companies, enterprises and banks in China; the other would be capital provided by individual capitalist groups and joint venture enterprises. Since the capital that comes from joint venture enterprises would be composed of partly Chinese and partly foreign investment, part of the capital attracted would be Chinese capital and the other part would be foreign capital. This portion of foreign capital could be collected through the issuance of international bonds.

3. Accompanying inland China's opening to the outside world will be further implementation of a program for enlivening the domestic economy, and joint Chinese and foreign venture enterprises will become increasingly numerous. Consequently, at that time it would also not be impossible for inland China to issue international bonds to accumulate capital.

4. The goal of capitalist production is to extract every possible bit of surplus value; therefore, no matter the form capitalist investment takes, and no matter the enterprises or the countries in which investment is made, the

goal will be to make the maximum profit. Capitalists' investments in negotiable securities and capitalist investment in enterprises equally produce profits. The objectiveness of economic laws determine that capitalists will not only invest in assets, but will also invest in securities. Clearly the issuance of international bonds to accumulate foreign capital is entirely achievable in China.

Issuance of international bonds is one form for the accumulation of foreign capital. Even though this method is no different in nature than direct foreign bank loans, it has its own unique characteristics that are not only beneficial for the issuer, but also that hold advantages for the buyers.

1. Advantages for the bond issuer:

(1) It is much more widely based in society than loans. Since the sources of funds is so broad, it is possible to accumulate large amounts of capital continuously.

We are aware that loans are funds borrowed from a bank or a financial group formed by several banks, while the issuance of internal bonds is to borrow from all investors. This includes not only various banks and financial institutions, but also includes individuals, insurance companies, and credit investment companies. In addition, through the issuance of international bonds, ties with investors in various countries may be strengthened. Once international bonds have been accepted by international investors, they may be issued continuously. In this way, not only can the continuous accumulation of large amounts of funds be assured, but it also becomes possible to reduce or spread losses resulting from changes in interest rates or foreign exchange rates.

(2) The burden that units using funds bear in repaying the capital plus interest may also be lightened, and units using the funds are spurred to strengthen cost accounting.

International bonds are a kind of bond that is characterized by a long loan period inasmuch as their interest rate is set once and for all at the time of issuance, the interest rate remaining consistent. In view of the continuation of inflation worldwide, use of bonds to accumulate capital makes it possible to lighten the burden of repaying capital plus interest, on the one hand, and helps units using the funds to strengthen cost accounting on the other and to improve their level of administration and management.

(3) Successful issuance of international bonds can improve the international credit of the issuer.

Socio-economic development goes through various stages from the natural economy stage to the commodity economy stage to the currency economy stage to the credit economy stage. As the extent of the socialization of production increases, the credit economy gradually expands from inside the country to outside the country, thereby forming a credit economy on a world scale. Though issuance of international bonds and bank loans are both ways of accumulating foreign capital; nevertheless, since bonds have a broader base in society,

their international effect differs very greatly from that of loans. Loans have a bearing on only one or several banks; consequently, their effect is limited only to banks that have a professional relationship to them. Moreover, international bonds not only produce links to banks but also to the broad masses of investors as well. Consequently the public issuance of international bonds can give wide publicity to, can expand, and can improve the international credit and influence of the issuer. This is because the credit rating of the issuer is an important condition in being able to sell the international bonds that the issuer has issued. If the political situation in a given country is shaky and the economic situation bad, and if the issuing enterprise is frequently unable to honor contracts as well, the enterprise's bonds will not be readily accepted by investors and the enterprises will thus be unable to get the funds it needs promptly. Conversely, if the political situation in a country is stable and it enjoys robust economic strength, and if, in addition, the issuing enterprise is very able to repay its debts and has a high credit rating, conditions for its issuance of bonds will be good and the enterprise will be able to sell all the bonds it issues on time and receive needed funds at once.

(4) The bond issuer can reduce enterprises' interest burdens to the advantage of the enterprises.

Every enterprise has a certain amount of flexibility in the management of its funds. When an enterprise is short of capital, it can issue international bonds to accumulate foreign capital to insure that the enterprise's production continues smoothly. However, when a company has no use for accumulated funds, it can repay the loans to reduce its interest burden. In addition, when financial markets and banks are choked with idle funds, bonds may be issued that pay low interest, and funds borrowed at low interest rates may be invested in things that yield a relatively high profit insuring greater profits for the enterprise.

2. Advantages for the Bond Buyers

Purchase of bonds is a form of investment by which most banks and investors in capitalist countries are anxious to invest in things that are liquid, safe and profitable. However, since liquidity, safety and profitability are frequently in conflict in real life, in a certain sense the purchase of bonds can play a role in regulating the conflict, and this is the reason most investors are happy to buy bonds. In view of this psychology on the part of most investors in capitalist countries, it is recommended that enterprises in coastal China issue international bonds. This psychology will not only make it possible for them to accumulate capital from over a fairly large area, but it will also help them obtain fairly favorable terms for issuance.

3. Though the issuance of stock shares is also a major way in which to accumulate foreign capital, this is less desirable than the issuance of international bonds. As soon as an investor buys an issuer's stock, he becomes a shareholder in that enterprise, and then he has voting rights, management rights and profit sharing rights in the company. This means that he is entitled to vote for the chairman of the board of directors and other leaders of the enterprise, and this is unfavorable to management of the

enterprise in accordance with Party programs and policies. When international bonds are issued, however, usually the buyer is entitled only to a share in the profits. This both insures absolute leadership of the enterprise on China's part. This shows that issuance of international bonds makes it possible not only to maintain the rights of the original stock holders without dilution, but also retains intact management rights over the enterprise. This is because if the issuing company issues preferred stock, the new stockholders have special rights. If it issues common stock, the control rights of the original common-stock holders will be diminished and the rights of the original common-stock holders impaired. Conversely, if international bonds are issued, the shareholders become creditors of the enterprise. So long as the enterprise repays capital plus interest on time, the creditors have no authority to interfere in any of the business activities of the enterprise.

Obviously, not only is it imperative that coastal parts and the several large special economic zones in China issue international bonds to accumulate foreign capital, it is also possible. This would not only make up for the country's shortage of capital, but it would also improve China's international credit, and this would be extremely favorable for China's four modernizations.

9432
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FINANCE AND BANKING

MACROECONOMIC REGULATION, CONTROL BY BANKS DISCUSSED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 2 Dec 85 p 2

[Article by Xu Meizheng [6079 5019 1767]: "Strengthen the Bank's Macroeconomic Regulation and Control"]

[Text] Bank's Role in System of Macroeconomic Control

While invigorating the enterprises, we must also perfect the system of indirect control with macroeconomic means. This measure will call for a series of structural reforms in various fields, and one of the most important tasks is the reform of the banking system.

In the former macroeconomic control system, mandatory plans and administrative measures were relied on as the mechanism of control, while the banks, which were in charge of funds and the issuance of notes, could only act as cashiers. In the new economic system, the bank will play a far more active role as an important component of the macroeconomic control system.

Under a planned commodity economy, planned macroeconomic regulation can be realized only through the market mechanism in regulating the flow of notes and funds, and the bank serves as the hub and the maingate for these flows. Bank regulation will ensure normal economic activities, promote the national economic growth, control the issuance of notes, and stabilize the currency and the economy. As people often said, the important task of macroeconomic regulation is to maintain a balance of total social supply and total social demand. The total social demand comes from the expenditures of the government, the enterprises and the individuals, and without the support of bank loans, these expenditures can never exceed their gross income. Therefore, the control of credit and currency is an important factor in the control of total social demand, and the increase in this demand is inseparable from credit support. That is why the control of credit and money is the key to macroeconomic control, and the bank becomes the most important agency of macroeconomic regulation and control.

Along with the development of the economic structural reform, the bank's role in the collection and distribution of funds is being increasingly strengthened. At present, the bank not only takes charge of the loans for circulating funds, but is also involved in fixed asset investment through the

issuance of short- and medium-term equipment loans. With the continued development of the economic structural reform in future, the bank's role in the collection and distribution of funds will be further strengthened, and its position in the control system will be even higher.

Reform of Bank's Control Mechanism

In the old economic structure, which conformed to the planning structure, a special feature of the banking system was the presence of all-powerful banks which exercised exclusive control over the deposit and loan indices. Since this system cannot meet the needs for the development of a planned commodity economy, a series of reforms were introduced in the past several years. In banking organization, we began to eliminate the all-powerful banks and introduced a new system with a central bank as the core and the specialized banks as the foundation and including other financial institutions. The reforms have invigorated the finance and enabled the macroeconomic mechanism to begin its shift from direct to indirect control.

The establishment of the central bank was an important step in setting up a system of indirect control, but this system could not be set up overnight. When the central bank was first formed, its funds were not separated from those of the specialized banks, and there was also the system of joint settlement of all banks' accounts. The control of funds was still like "eating from the same pot." Moreover, since the central bank's system of reserve against deposits had not been properly set up, it was still unable to use the reserve funds as a means of regulation. More important still, the role of derivative deposit had not been seriously considered. Therefore, even after the establishment of the central bank, the system of indirect control did not actually exist. At the same time, the practice of "linking loans with deposits and controlling the difference between them" went beyond the direct control of the index system, causing a gap in the system of macroeconomic control. The uncontrollable scale of credit and the over-issuance of currency were closely related to this gap.

To strengthen the macroeconomic control and to improve the management of credit and funds, the management system of "unified planning, divided funds, actual credit, actual deposits, and mutual accommodation" was adopted whereby the funds were divided between the central bank and the specialized banks and the system of joint settlement of accounts was modified. At the same time, the system of reserve against deposits was improved and different interest rates were set for loans and deposits. These reforms enabled the central bank to control the scale of credit granted by the specialized banks through the control of their reserve against deposits and their relending. Then, with its own funds, the central bank began to set up its own mechanism of indirect control over the credit. This year, the central bank has played an important role in controlling the scale of credit through the control of relending.

To control the scale of credit, the central bank also controlled the amounts of loans along with the control of relending by the specialized banks this year. The index control of credit was thus restored.

Because the earlier scale of credit was excessive and the means of indirect control was inadequate, the restoration of the index control was a necessity. However, when the sources and channels of funds and the social fund structure are undergoing changes during the economic structural reform, and when the authority to use funds is decentralized, it is impossible to rely on index control and administrative measures alone.

Consolidation and Improvement of Macroeconomic Control System

We must reduce direct control while gradually increasing our indirect control. In the first 2 years of the Seventh 5-Year Plan period, special attention should be paid to the following aspects.

We must further strengthen the position and independence of the central bank and eliminate the shopworn idea that banks are only the suppliers of money. The central bank must be empowered to regulate and control the currency with no interference from any department. Within the banking system, the leadership of the central bank and its branches over the specialized banks of the same level in business matters must be further clarified. If necessary, the required executive power may be given to the central bank so as to strengthen its unified leadership and centralized control over banking and the other financial institutions. The central bank itself should no longer play a passive role in supplying money; instead, it should keep its eyes on the overall situation, closely watch and analyze the economic conditions and take the initiative in regulating and controlling the currency so as to ensure normal economic growth and monetary stability.

The central bank's control mechanism must be strengthened. First, active research must be conducted on such technical issues as monetary multiplication, the indices of currency supply and so forth. Second, the system of reserve against deposits must be perfected. The reserve must be set up in different proportions according to the character and duration of loans and the deposits of different financial institutions, and the proportions should be readjusted to suit a tight or easy money market. After readjusting the banks' benefits, the abolition of interest on the reserve funds may be considered. Third, the system of relending must be improved. The interest rates of relending by the central bank should be raised as an inducement to the specialized banks to organize their deposits and to extend temporary loans among themselves. The central bank may reloan or rediscount the specialized banks' loan certificates as it sees fit in regulating the monetary structure. A floating interest rate may be used for relending outside the plan. The central bank will not be able to abolish its index control over the specialized bank loans. However, while its indirect control continues to improve, its direct control can be gradually weakened through, for example, a more flexible system of index control, the permission for specialized banks to increase their loans to a certain extent, and then a gradual change to the central bank's use of its own funds and to an indirect control of the scale of credit supplemented by the control over the size of loans.

The improvement of an indirect control system should go hand in hand with the invigoration of finance and a gradual opening of the money market. To invigorate the finance, we must readjust and reform the system of interest

rates, run the specialized banks in the form of enterprises, streamline the relationship between direct and indirect financing, and further reform the system of financial organization. All these reforms should proceed in a planned, systematic and well coordinated way.

A salient feature of the present situation is the development of fund-raising activities. These direct financial and monetary activities must be carefully guided and controlled. According to China's national conditions, indirect financing should be in the leading position, but direct financing too can be appropriately organized and developed. The spheres of direct financial and monetary activities, the sources of funds, the levels of dividends and bonuses and so forth should be regulated and under the unified control of the People's Bank, and the financial and monetary activities should all be accounted for in the gross social fund and in the scale of fixed asset investment for the purpose of overall balancing. The practice of apportionment of expenses with administrative means and fund raising for increasing the spending of the consumption fund should be stopped. At the same time, we should actively develop indirect financing, raise the interest rates for enterprise deposits to encourage their fund accumulation, increase the outlets for savings deposits, and develop postal savings in an effort to tap social resources.

Another problem we now have is that the vertical index control affects the horizontal flows and flexible regulation of funds. To solve this problem, we should make better use of the regulation funds of the central banks and its branches, open the temporary-loan market, and permit a floating interest rate for these loans. The central bank may also regulate the supply and demand for funds through this market.

The operation of banks in the form of enterprises is the basis of a sensitive reaction of microeconomics to the indirect regulation and control by macroeconomics. We can now proceed to set up a business responsibility system along with other regulations to be strictly enforced.

Another important way to improve the system of macroeconomic control is to strengthen financial legislation and the control of financial administration. We must quickly introduce legislation for the laws of the central bank and the specialized banks, the trust law, the bill law and other related laws; and to set up and strengthen the work of financial auditing.

There is also the problem of cadres in the all-round development of the economic structural reform, not only because the number of cadres is not adequate for the development of financial institutions, but also because, more important still, this reform has brought about profound changes in the banking business. The training of cadres, therefore, should be treated as a very urgent task.

9411
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MINERAL RESOURCES

CHINA'S NON-FERROUS METAL OUTPUT INCREASING

Beijing RENMIN RIBAO in Chinese 4 Feb 86 p 2

[Article by Liu Xieyang [0491 3610 7133]: "Improvement Economic Results through Tapping of Internal Resources, Steady Development of Non-Ferrous Metal Industry"]

[Text] By tapping its internal resources, China's non-ferrous metal industry has maintained its steady and coordinated development in 2 consecutive years. In 1985, the output of 10 different non-ferrous metals including copper, aluminum, lead, zinc, nickel, tin, titanium and magnesium increased more than 7 percent over the previous year, and 87 percent of the increase was attributed to the tapping of resources among the enterprises.

Non-ferrous metal industry is an important raw material industry. If the non-ferrous metal industry fails to advance, the production of other fine-quality materials will certainly be affected. Because of the open-door policy and the development of the four-modernizations drive, the markets for non-ferrous metals at home and abroad have continued to expand along with the increase in the demand for these metals.

In increasing the productive capacity for non-ferrous metals in the past, China was mostly concerned with new projects on which about 1 billion yuan was spent each year. Since 1984, however, the state has turned its attention to the tapping of potential and the renovation, transformation and expansion of the existing enterprises. During these 2 years, a total of 178 technical transformation projects were arranged for non-ferrous industry throughout the country, and 61 of them have been basically completed. After technical transformation, the productive capacity of Shenyang's aluminum system was increased 1.7-fold, resulting in a saving of two-thirds of the investment required for building a new plant of the same size in addition to a two-third reduction of the construction period. The Dongbei Light Alloy Processing Plant also carried out technical transformation on its plate and sheet system, resulting in an increase of nearly 40,000 tons of plates and sheets in its productive capacity, and a saving of half of the investment required for building a new plant of the same size.

In the course of technical transformation, the enterprises have commonly adopted the system of project responsibility for tapping their internal resources, thus ensuring the quality and progress of work. Last year, the Dongbei Light Alloy Processing Plant planned for more than 100 technical transformation projects mostly involving minor changes. Because of the technical contract system which clearly spells out the responsibility, all the projects were completed on time.

9411
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MINERAL RESOURCES

SHAANXI'S ABUNDANT MINERAL RESOURCES REPORTED

Yinchuan NINGXIA RIBAO in Chinese 26 Jan 86 p 2

[Article by Wu Shufang [0702 2885 2455]: "Shaanxi Has Abundant Mineral Resources"]

[Text] Shaanxi has abundant mineral resources. By the end of 1984, 59 different types of minerals with 152 large or medium deposits had been verified in 836 mineral sites.

In the coalfield covering the counties of Yulin, Hengshan, Shenmu and Fugu in northern Shaanxi, nearly 100 billion tons of deposits have been verified. The coal here is well known over the world for its low sulphur and ash content and its high caloric value with good potential for competition in the world. The verified deposits of gold also continued to increase. The industrial and prospective reserves verified now total more than 100 tons. The gold mine in Xiaoqinling has become one of China's four large gold mining bases, and its prospective reserve is continuing to increase. The verified deposits of mercury and titanium in Xunyang County, southern Shaanxi, rank second in the country, and have provided the foundation for large-scale mining. In the Qinling mountainous area from Fengxian to Taibai, the reserves of lead and zinc have been verified to be 1.6 million tons. When this area combines with the large Changba area of lead and zinc deposits in Hexi Corridor of Gansu to form a solid block, it will become an important lead and zinc industrial base of China. The nonmettalic minerals here are even more impressive. The verified deposits of barite, asbestoes, cement limestone, dolomite, sulphur, stones for construction, glass materials, fine-quality quartzite, quartz casting sand, and so forth, are on the top rank in the country. In recent years, there were new discoveries of grammite, tremolite-schist, bentonite, sepiolite and fo shi [10154 4258], all with good prospects. In the Shang-Luo area, which is close to the borders of Henan and Hubei, there are quite extensive marble deposits suitable for making color tiles in the construction trade. These deposits have a strong appeal to some traders in Hong Kong and the foreign countries.

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INDUSTRY

INFLUENCE OF IMPORTED TECHNOLOGIES ON MODERNIZATION

Beijing BAN YUE TAN [SEMIMONTHLY TALKS] in Chinese 25 Jan 86 pp 30-31

[Article by Jin Jin [0093 6651]: "The Great Might of 3,000 Imported Technologies"]

[Text] Importing advanced technologies from abroad for the technical transformation of the existing enterprises is an important strategic measure to accelerate the socialist modernization drive. In 1982, the State Council decided that the State Economic Commission should take charge of the importation of 3,000 advanced technologies for the technical transformation of the existing enterprises. Great achievements have been made in this work.

From 1983 to 1985, China has used its foreign exchange to import technologies through various channels for the transformation of its existing enterprises, and the 3,000 advanced technologies were part of them. Most of these 3,000 technologies were single items or key items of the late 1970's and the early 1980's, being mainly used to speed up the technical transformation of the existing enterprises in various sectors of the national economy and in the coastal and border regions as well as the hinterland.

According to their practical application in the past several years, all these 3,000 imported technologies have played a great role in improving the performance and raising the technical standards of some industrial products, speeding up the updating of products, and filling some gaps in domestic production. The machine-building industry imported more than 500 items, mostly for manufacturing basic parts, basic machines and test instruments. These technologies have raised 5,000 products to the levels of the late 1970's and the early 1980's, and these products have in turn promoted the technologies of producing raw materials and basic components. Shanghai's low-voltage electrical appliances trade imported a whole set of technologies with which it updated all its old products and at the same time successfully trial produced some new materials. The Shanghai Electric Welder Plant assimilated the advanced foreign technologies in manufacturing electric welding machines, and systematically developed their own new models, thus raising the standards of its products from those of the 1950's to those of the late 1970's. It also developed the three-phase low-frequency welder, the second-grade rectifying welder, and the electron-beam welder, none of which had been produced in China before. If we did not import these advanced

technologies and simply groped in the dark behind closed doors, the development of many products would take at least several years or even more than 10 years.

The application of these 3,000 technologies has not only narrowed the gap between China's industrial products and those of the advanced world levels, but also yielded good investment returns in addition to the great potential in foreign exchange earnings. According to an analysis of the imported items which have already been put into operation, an investment of 10 yuan can, on the average, increase the output value by 25-28 yuan and the profits and taxes by 5-8 yuan each year; and the investment can be fully recovered in 3 years.

The potential of these technologies in foreign exchange earnings through exports is shown by the number of products which have reached the international level. In Tianjin, 40 of these technologies have produced 76 varieties of exportable goods; 56 other technologies are now capable of producing 110 varieties of goods for export; and still 49 others are capable of producing substitutes for imports. Some of them can earn and save $334 million in foreign exchange each year, so that the foreign exchange spent on them can be fully recovered in slightly more than 1 year.

Now let us look at the results in different industries. In 1984 and 1985, Tianjin's woolen textile industry with its imported technologies can increase its output of woolen fabrics by 3.9 million meters and earn $34.8 million in foreign exchange each year. In the same years, Shanghai's candy trade spent $3.3 million in foreign exchange to import the technology for transforming its production line, and earned $6.5 million in foreign exchange through exports each year. Shanghai's silk company spent only $3.26 million in importing five production lines for silk printing, which increased its silk exports by 10 million meters and its foreign exchange earnings by $50 million. Each year, the foreign exchange earning capacity of these trades was several or more than 10 times the amount of foreign exchange spent on the imported technologies.

As for mechanical and electrical appliances, there was an urgent need for submersible oil pumps in the petroleum industry. A complete set of software technology was accordingly imported in the form of technology-foreign trade combination, and in 1987, there will be a productive capacity for 1,000 sets of these pumps which will help the state save $75 million each year.

Practice has proved that by importing advanced technologies, China is able not only to raise the technical standards of its industry rapidly, but also to improve the economic results of its enterprises and to find an effective way for its products to enter the international market.

The purpose of importation is to strengthen our self-reliance. Since 1984, when China began to assimilate the imported technologies and to produce new products of its own, its trial manufacture of single machines has developed into the production of complete sets of equipment. The method it used was to pay close attention to the advanced technical standards of certain popular products in the world, and then combine the assimilation of advanced technologies with the development of new products and new production techniques. The plants producing the main machines, the auxiliary machines,

the supplementary raw materials and components; the related scientific research units, and the universities and vocational colleges were organized for cooperation in the systematic importation and development of complete sets of technology. In Shanghai, 12 coordinated processes were organized for the technologies of printing, model-making, and producing "artificial intelligence" products and 9 other lines of products. In Tianjin, 26 coordinated processes were organized, including those for broadcasting, television, and numerically-controlled lathes. Based on the statistics of 10 industrial corporations in the city, Beijing assimilated 189 different imported technologies and put into operation 117 of them. The technical properties of about 90 percent of the China-made equipment, produced with the assimilated imported technologies, were up to the same standards of similar foreign products, and 2-3 percent of them were even above these standards. The Beijing Glass Instrument Plant, for example, used the technology learned from abroad to transform its production techniques in a systematic way. Then, with the cooperation of other units in the country, it produced a complete set of production equipment, transformed its production line, and increased the output of drug ampoules 50 percent and the output of heat-resisting articles five-fold. The quality of its ampoules was up to the international standards, and its heat-resisting articles, which won a silver medal from the state, were also up to the advanced world levels, according to assessments by foreign experts.

The success in the importation of technologies has stirred up our thoughts, widened our horizon, raised the technical standards of China's industry, and stimulated its initiative in exploitation. At present, the work of importing technologies for the technical transformation of the existing enterprises has only just begun and is far from adequate for the development of the national economy, especially in view of the development of science and technology in the world and the continued emergence of advanced scientific and technological achievements. We must systematically import and apply these technologies and then master and develop them before China's technological development can be accelerated. During the Seventh 5-Year Plan, therefore, the importation of another 3,000 advanced technologies must be organized as an impetus to technical advancement among China's present enterprises.

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INDUSTRY

DEVELOPMENT OF FUJIAN'S CHEMICAL INDUSTRY APPLAUDED

Fuzhou FUJIAN RIBAO in Chinese 6 Feb 86 p 1

[Article by Staff Office of Provincial Petrochemical Industry Bureau: "Thirty-One Percent of Fujian's Chemicals Rated as Fine-Quality Products"]

[Text] Fujian's chemical industry achieved remarkable economic results during the Sixth 5-Year Plan as shown by the improved quality, the lowered material consumption, and the more efficient management. In these 5 years, the GVIO increased 46.4 percent, and the taxes and profits realized increased 106 percent.

Fujian's chemical industry was at a fledgling stage at the end of the Fifth 5-Year Plan period. Since 1981, the chemical industrial enterprises have devoted their efforts to the improvement of management with better economic results as their central goal. They began the improvement with an all-round reorganization and by now, 92 percent of these enterprises have completed their reorganization in five respects. On the basis of the reorganization, they launched the "three-creation" (namely, the creation of leakage-proof plants, clean and civilized plants and "six-good" plants) campaign, and selected 16 enterprises for experiments in the "modernization of enterprises management." This measure has greatly improved the quality of management and raised the enterprises to a higher level. According to statistics, 18 enterprises have won the title of "leakage-proof plants," and one has won the title of "clean and civilized plant." Furthermore, 148 standards were set for the provincial enterprises, thus doing away with the practice of nonstandardized production in the system; and the production of 11 products was organized according to international standards. The use of these standards has greatly improved the quality of products, and by the end of 1985, the system had four products recognized by the state, 13 products recognized by the ministry and 29 products recognized by the province, all as fine-quality products. Thus 31 percent of the products were rated as fine-quality products.

During the Sixth 5-Year Plan, Fujian's chemical industrial enterprises also made great efforts in energy conservation, in view of their heavy energy consumption in production. They actively introduced new techniques among the old enterprises, and gave priority in the supplies of raw materials and electricity to those who were able to increase their output by practicing

economy. The small nitrogenous fertilizer trade which had for a long time incurred losses was a heavy energy consumer. In the past 5 years, after the technical transformation for energy conservation, the total energy consumption for each ton of ammonia produced was reduced from more than 25 million kcal to 20.87 million kcal, a saving of more than 760,000 tons of standard coal. Since 1983, when the losses were turned into profits, this trade has made a profit of more than 26 million yuan, and the Yongan Synthetic Ammonia Plant of Fuzhou's second chemical industry won the title of "advanced unit in national energy conservation."

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INDUSTRY

FUJIAN'S LIGHT, TEXTILE INDUSTRIES SHOW INCREASES

Fuzhou FUJIAN RIBAO in Chinese 2 Feb 86 p 1

[Article by Provincial Light Industry Bureau: "Technical Advancement in Fujian's Light and Textile Industries through Utilization of Foreign and Overseas Chinese Capital; Taxes and Profits in 5 Years Exceeded 600 Million Yuan; Exports Account for 30 Percent of Provincial Revenue in Foreign Exchange"]

[Text] New achievements were made in Fujian's light and textile industries in the course of readjustment and reform during the Sixth 5-Year Plan. Compared with 1980, the gross output value increased 59 percent with an average annual increase of 10.9 percent. This annual increase was above the national average. The taxes paid and profits delivered totaled 653 million yuan, a 21.58 percent increase over the Fifth 5-Year Plan period. Its exports accounted for 30 percent of the province's foreign exchange earnings. The major products, especially the consumer goods for the people's daily use, have increased not only in quantity, but also in variety with improved quality. Two products won the state's gold medals; five won the state's silver medals; 39 were rated as fine-quality products by the ministries; and 102 others were so rated by the province. There were 432 new products in regular production after successful trials, in addition to 12,932 "four-new" products. Design awards were given to 63 light and textile products by the State Economic Commission, the Ministry of Light Industry, the Ministry of Textile Industry, the Eastern China Region, and the province. Among the products of national innovation were the bonding ingredients for the caps of ink bottles produced by the Fuzhou Printing Ink Plant, the No 6 vacuum flasks of the motor-driven air pressure type produced by the Fuzhou Vacuum Flask Plant, the longan paste produced by the Putian Food Plant, the citrus juice produced by the provincial light industry research institute, the FV-1 modified polyvinylether sizing material produced by the Fujian Vinyl Mill, the bath towls with floral designs produced by the Nanping Knitwear Mill, and 10 others. Of the 63 products, 22 are up to the advanced national standards.

The light and textile industries have developed with the aid of advanced technology. During the Sixth 5-Year Plan, 54 items of scientific research in the light and textile industries were planned by the province or the enterprises themselves, and 46 of them have been completed and duly appraised. Among these items are the techniques--which won the third prize from the

state--for the selection of fine-quality mushrooms for canning and for increasing the per-unit output of these mushrooms; and 29 others which won prizes for scientific achievements from the Ministry of Light Industry and the province. The ultraviolet-ray-solidified metal stenciling which was trial manufactured jointly by the Fuzhou Printing Ink Plant and the Tianjin Synthetic Material Industry Research Institute, was appraised at the provincial level last year. The major technical indices were found to be up to the advanced foreign standards for similar products. Compared with the traditional printing, the use of this solidified metal stenciling reduces electricity consumption by 90 percent, increases the efficiency three- or four-fold, and greatly reduces environmental pollution.

Taking advantage of the "overseas Chinese capital and the preferential treatment given," the light and textile industries in the province have invested a total of 509 million yuan in 525 technical transformation projects, some of which were for the development of urgently needed articles for daily use and for increasing the output of highly competitive products, such as stencil paper, beer, canned food, beverages, bicycles, baby food, glass containers, chemical fibers and woolen textiles.

During the Sixth 5-Year Plan, Fujian's light and textile industries have invested a grand total of 603 million yuan in capital construction, and increased the value of fixed assets by 457 million yuan.

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SMALL-SCALE ENTERPRISES

TOWNSHIP, TOWN ENTERPRISES SUCCESSFUL IN 1985

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 1 Feb 86 p 1

[Article: "Gratifying Achievements in China's Township and Town Enterprises During 1985; Township and Town Enterprises Display Their Vitality Under Macroeconomic Controls; China Had 1.7 Million Township and Town Enterprises in 1985 with 64.16 Million Employees, Gross Value of Output Reached 248.1 Billion Yuan, 40 Percent of the Gross Value of Output in Rural Society, and the Value of Output in Township and Town Industries Accounted for 20 Percent of China's Gross Value of Industrial Output"]

[Text] A reporter has learned from the State Economic Commission Agriculture Bureau and the Ministry of Agriculture, Animal Husbandry, and Fishery that the number of township and town enterprises increased from 1.65 million in 1984 to 1.7 million in 1985. The number of private and association enterprises increased from 4.41 million to 9.24 million. Total employment reached 64.16 million, 18 percent of the rural labor force. The gross value of output in township and town enterprises reached 248.1 billion yuan, a net increase of 77.1 billion yuan or 45 percent over the 1984 figure of 171 billion yuan, and it accounted for about 40 percent of the gross value of output in rural society. The value of output in township and town industries was estimated at roughly 180 billion yuan, or roughly 20 percent of the gross value of industrial output in China.

The role of township and town enterprises as pillars of the rural economy is becoming increasingly apparent. In some regions where agricultural output declined because of natural disasters, the development of industrial and sideline production not only prevented a decline in peasant incomes but actually led to an increase. This fully confirms that the CPC's strategic decision concerning readjustments in rural industrial structures is a correct one.

There were several characteristics in the development of China's township and town enterprises in 1985. One was that the rate of growth in private and association enterprises was greater than that of township and village enterprises. The second was that the rate of development in some areas that have just begun to develop township and town enterprises was greater than in those provinces and municipalities that already had a foundation of the enterprises. The third was that the rate of development in the construction industry and

tertiary industries was greater than that in industrial production. The fourth was that the construction, food and tailoring industries developed faster than other industries.

The developmental pace and economic results of township and town enterprises increased simultaneously during 1985. Taxes paid to the state are expected to total 118 million yuan, a 31-percent increase. Net profits reached 251 million yuan, up by 34 percent. Total income from sales and labor services reached 234.7 million yuan, 94.6 percent of the gross value of output, and there were no product overstocks. Productivity per employee increased from 3,283 yuan in 1984 to 3,869 yuan in 1985, an 18-percent increase. Profits and taxes created by each worker increased from 532 yuan to 575 yuan, up by 8 percent.

New improvements have been made in the quality of township and town enterprise products. According to incomplete statistics, 6 township and town enterprise products were evaluated as the best in China in 1985, 240 were evaluated as the best in a ministry, and a large number of products were considered the best in some provinces and municipalities.

The state strengthened macroeconomic controls in 1985. There were substantial price increases for raw materials and market competition was stimulated. Township and town enterprises have relied on the external thrust of urban and rural reforms and utilized the internal vigor of their own strengths to attain new developments. They have shifted from the past pattern of depending on loans for capital to self-reliance for capital accumulation. The amount of capital raised and imported totalled 10 billion yuan in 1985. Their developmental focus has shifted from extension to achieve expanded reproduction to a focus on their inherent potential, reforms and transformation. To achieve technical transformation and product renewal and replacement, statistics from 23 provinces and municipalities indicate that the enterprises imported a total of about 30,000 technical items and also accelerated the importation and training of talented personnel. More than 90 percent of the enterprises in China have implemented contracted responsibility and many enterprises have reorganized groups, administration and management, quality and economic results and made achievements.

12539/12795
CSO: 4006/767

SMALL-SCALE ENTERPRISES

ON DISTRIBUTION OF TOWNSHIP, TOWN ENTERPRISE PROFITS

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 1 Feb 86 p 1

[Article: "All Areas Have Linked Up with Agricultural Banks and Township and Town Enterprise Administrative Organs To Focus on End-of-Year Profit Distribution in Township and Town Enterprises"]

[Text] To help township and town enterprises make rational use of their profits, increase their own capital accumulation, and reinforce their internal vitality, agricultural banks and administrative organs in all areas have joined together to aid township and town enterprises in their end-of-year profit distribution and supplementing the capital they own. Jiangsu, Shanxi, Liaoning, Jilin, Sichuan, Wuhan, Guangzhou, Hunan, and other areas have treated this work as the order of the day. The actual methods used were:

1. They helped the enterprises check their costs and profits. Before distributing the profits, Jiangsu, Shanxi, Sichuan, and other areas first of all assisted the enterprises in comprehensive examination of their financial work and they supervised and urged them to keep accounts in strict accordance with financial accounting systems and compile good accounting reports. This allowed them to check their costs and profits.

2. They helped the enterprises to check their circulating capital and calculate the proportion they owned themselves. The method suggested by Wuhan to check the amount of circulating capital was to use the sales-capital rate over the preceding 3 years as a reference, the sales-capital rate in the preceding year as a basis, and sales plans for the current year as a foundation. Enterprises, enterprise administrative departments and banks holding their accounts made joint calculations and discussed a rational amounts of circulating capital. The method used in Guangzhou to calculate the proportion of the capital owned by the enterprises themselves was that enterprises operating year-round calculated according to the yearly average amount of the circulating capital they owned, while seasonal farm and sideline product processing enterprises calculated the amount of circulating capital they held according to a monthly average.

3. They implemented supplementary planning and signed supplementary contracts. For enterprises whose circulating capital was less than 30 to 50 percent of their assets, the agricultural banks and enterprise administrative departments in all areas provided supplements for a limited period according to the

enterprises' own capital situation and profit plans, and they assisted in implementation of the supplementary plans. Some used contracts to firm up supplementary plans and increase restrictions. Agricultural banks in Jilin, Sichuan, Shanxi, Jiangsu, and other areas stressed that they would stop issuing loans to enterprises that have no circulating capital or which have not reached the specified proportions and which receive supplements that are not as stipulated.

4. They have focused on profit distribution to encourage the enterprises to make rational use of their profits. Wuhan decided that the enterprises could retain 80 percent of their after-tax profits, 70 percent of which is to be used as a production fund for renewal and transformation and for their own circulating capital, while 10 percent is to be used for employee welfare. The remaining 20 percent in after-tax profits is to be turned over to administrative departments for assistance to enterprises, industrial subsidies to agriculture, share dividends, and so on. Jiangsu has demanded that no less than 60 to 70 percent of after-tax profits be retained by the enterprises and that this proportion should be somewhat larger in areas that have just begun to develop enterprises. Some areas also have decided that the after-tax profits of enterprises with outstanding equipment loans should not be turned over to higher authorities but should be used instead to fill out their production development funds.

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CONSTRUCTION

MAJOR REFORM IN PROCEDURE OF CAPITAL CONSTRUCTION DECISIONS

Beijing LIAOWANG in Chinese No 3, 20 Jan 86 pp 14-15

[Report on interview with Shi Qirong [4258 0796 2837], general manager of China International Engineering Consultation Corporation by Cheng Xi [4453 2569]: "A Major Reform in the Procedure of Capital Construction Decisions"; date and place of interview not given]

[Text] In December 1985, the China International Engineering Consultation Corporation held a board of directors meeting in which a recent decision of the State Council was relayed: In the future, no key construction projects, including the importation of complete sets of equipment from abroad, can be initiated on the direct authority of the administrative leadership alone. Instead, it should be first appraised by the China International Engineering Consultation Corporation as instructed by the state, and then referred to the State Planning Commission for overall balancing before the inclusion of the project in the construction plan can be determined. This new decision was hailed as an important measure in enhancing the scientific nature of policy decisions on construction projects, as well as a major reform in the procedure of capital construction decisions. For a better understanding of the practical significance and the concrete substance of this reform, our correspondent had an interview with General Manager Shi Qirong of the China International Engineering Consultation Corporation.

The Scientific Nature of Policy Decisions as a Deciding Factor in the Success or Failure of Engineering Projects

General Manager Shi Qirong recalled many key projects that have been successfully completed since the founding of the People's Republic. However, many of these projects did not yield the desired results. In some projects, the plans were repeatedly altered while the construction was still in progress, thus causing interruptions, delays and waste of money. Sometimes, even after the completion of construction, neither the internal nor the external supportive projects were inadequate while the supply, production and marketing were poorly coordinated. As a result, the project could not play its full role. The cause of this situation, viewed from the standpoint of capital construction management, is two-fold: First, the lack of intensive preparatory work, in-depth appraisal, and scientific foresight. Second, the procedure of policy decisions by exclusive administrative authorities, the

failure to enlist the services of the experts, scholars and engineers in technical and economic appraisals and in the choice of plans, and, above all, the absence of a detached and impartial engineering consultation organ for the primary function of supplying feasibility data to the decision makers. The final outcome was that some departments, in the quest for local interests, vied with one another to start more projects and obtain more money, even by exaggerating the advantages and concealing the disadvantages; or by using the "fishermen's" tactics of deliberately reducing the budgeted investment first and requesting additional funds later. This was the main reason why we could not possibly control the general scale of capital construction.

Comrade Shi Qirong continued: Practice has proved that the correctness or incorrectness of a policy decision is the key factor of success or failure in construction. Since the 3d Plenum of the 11th CPC Central Committee, the central authorities including the State Council have repeatedly stressed the need to overcome rashness and to take a scientific approach in construction, and to improve the economic results as the central task. Two years ago, Comrade Chen Yun proposed that all new projects in the future should be appraised by the relevant technical and economic experts before deciding to proceed with the work, and that, as an established rule, no individual from the political bureau down to the commune party committee level can approve any project. The recent decision of the State Council in entrusting the China International Engineering Consultation Corporation with the work of the feasibility study report is based on the lessons learned from the past experiences in construction.

An Effective Way To Control Investment Scale

Speaking of the great significance of the China International Engineering Consultation Corporation's participation in these policy decisions, Comrade Shi Qirong said: Certain reforms were carried out in China in the procedure of decision-making on construction projects in the past; but the measures were confined to the centralization or decentralization of the authority to examine and approve such projects, and only the administrative departments were involved in these reforms. The participation of independent engineering consultation organs in the appraisal and assessment has rarely received due attention. Even though some experts or scholars were occasionally invited to participate in the appraisals, their views were never taken seriously. In November last year, the State Council approved the State Planning Commission's report which clearly stipulated that in the future, the feasibility study reports for all large and medium-size capital construction projects and all technical transformation projects beyond a certain limit, as well as the designs of all large engineering projects must be evaluated and examined by the China International Engineering Consultation Corporation as authorized by the State Planning Commission; and that the State Planning Commission will then conduct an overall balance to determine whether or not the project can be included in its plans. The State Council also approved the State Planning Commission's proposal to expand the China International Engineering Consultation Corporation's scope of business activities and to strengthen its leadership, its structure and its personnel so that it will become an independent economic entity with the general manager assuming full responsibility under a board of directors. This is an important reform in the

system of capital construction management. The main purpose of this reform is to change the former practice of the administrative leadership and the planning departments in examining and approving construction projects--the practice of making decisions before planning or with little or no planning--so that, hereafter, they will plan before making decisions. In other words, they must plan carefully in order to make wise decisions, to their policy decisions more scientific, and to supplement them with the necessary precautionary measures. In this respect, the role of the engineering consultation corporation as an adviser or a think-tank is indispensable. In foreign countries, the consortiums and banks always entrust the job of feasibility study to some experienced and reputable engineering consultation corporations before granting loans for engineering projects. Now is the time for us not only to recognize this necessity but also to exert our efforts in this direction. This is a very big improvement. More important still, such policy decisions also play a great role in macroeconomic results. If every specific project is rationally planned and the required funds and materials are accurately calculated, the state will have the necessary data for overall balancing in capital construction, and an easier control over the scale of investment.

A Glorious and Arduous Task Ahead

Looking forward to the task of economic construction, Comrade Shi Qirong said: During the Seventh 5-Plan period, we will continue to undertake the important projects of alteration, expansion and construction for the energy, transportation, raw material and other trades, and will be responsible for the feasibility study and the evaluation of the designs of some large engineering projects. We will also accept requests from the government departments, the economic and financial institutions, and the enterprises, establishments and social bodies at home and abroad for our technical services in engineering construction. We will, furthermore, be prepared to provide consultation and contracted services selectively throughout the entire construction process including the feasibility study, engineering designs, project management, personnel training and acceptance checks upon completion, in small-scale civilian projects. If required by the customers at home and abroad, we can dispatch our engineering or economic management personnel to provide on-the-spot technical or economic consultation services. We will also be ready to cooperate with the relevant units abroad or form joint ventures with them in technical and economic consultation services. Obviously, the China International Engineering Consultation Corporation is looking forward to a very glorious and arduous task. Our responsibility will be heavy and our future is bright. He added: All our personnel have the determination to work hard and to live up to the people's expectation.

Finally, Comrade Shi Qirong gave our correspondent a profile of his corporation.

This corporation was founded in 1982. At that time, its main function was to provide technical consultation concerning the effective use of foreign funds and unified cooperation in engineering projects as well as other technical consultations at home and abroad. In the past 3 years, this corporation has done a great deal of work in helping the old enterprises with their technical

transformation, in evaluating some important projects and in providing technical consultations concerning the plannings for the coastal cities and the SEZs, in addition to exporting some engineering technologies. Now, this corporation has 39 affiliated companies and nearly 20,000 employes including about 3,000 senior engineers, all capable of providing engineering consultation services. With the help of its "committee of experts," the corporation has made every possible effort to to look for the real talents scattered among various departments, employ them, and let them participate in the feasibility study of key projects. The corporation also strengthened the exchange of professional and technical information with its counterparts over the world, and, whenever necessary, invited some prestigious experts to participate in its work in China.

Shi Qirong said in conclusion, the work of evaluating projects and offering consultations is new to China. As for the way to improve our work, we have to rely on the summing up of experiences, since the economic laws and the standardization methods are inadequate and the pricing system is unscientific.

9411
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CONSTRUCTION

SHANGHAI INVESTS 1.7 BILLION YUAN IN CITY CONSTRUCTION

Shanghai WEN HUI BAO in Chinese 17 Jan 86 p 1

[Article by Xu Min [1776 2404]: "Shanghai Invests 1.7 Billion Yuan in City Construction This Year"]

[Text] The following information is supplied by the department concerned: Proceeding from the strategic objective of transforming and developing Shanghai, the municipal construction authorities has allocated 1.75 billion yuan, a 42.3 percent increase over 1985, for investment in city construction, including 1.34 billion yuan, a 30.6 percent increase over last year, in infrastructrual facilities for the city. This shows the municipality's intention to improve the infrastructural facilities and the environment for investment in the first year of the Seventh 5-Year Plan period.

As we understand, the infrastructural projects are mostly related to the large and medium-size key engineering projects, including the project of diverting water from the Huangpujiang, the Pudong Gas Plant, the cross-river tunnel at Yanan East Road, the sewage treatment plant in Longhua, the trash dumping ground in Laogang, some new passenger train stations, the Zhongshan ring road, the grade-separated bridges for vehicle traffic, the widening of the Hongqiao Road, and other city amenities in and around the new Hongqiao District.

Based on the availability of materials and the environmental and other supportive facilities, the housing program for the current year will include the completion of 4.2 million sq m of floorspace, in addition to 400,000 square meters of supplementary public buildings. All the houses should be delivered for use upon completion so that the housing situation could be considerably improved.

The technical and preparatory work for such giant projects during the Seventh 5-Year Plan as the subway train, the Huangpujiang Bridge, and the Ningguo Road tunnel is being stepped up and expected to be completed within this year.

9411
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CONSTRUCTION

GRATIFYING SITUATION IN VILLAGE, TOWN CONSTRUCTION

Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 1, 7 Jan 86 pp 11-12

[Article by Liu Fang [0491 2455]: "Report on the National Village and Town Construction Conference"]

[Text] As the rural economy surges forward, village and town construction throughout China presents an encouraging picture of prosperity; centuries of haphazardness, confusion and drifting are now at an end. Towns and villages today are gradually being put on the track of planned development under good leadership.

The national report conference on village and town construction work held in Beijing November 9-14, 1985 by the Ministry of Urban and Rural Construction and Environmental Protection reviewed comprehensively the nation's experience in village and town construction since the second national rural housing work conference and, in light of the spirit in which the CPC Central Committee drew up the Seventh 5-Year Plan, considered the direction and tasks of village and town construction work in the coming 5-year plan. Comrades present believed that the convening of the conference at this juncture--when the Sixth 5-Year Plan is drawing to a close and the Seventh 5-Year Plan about to begin--can only give the future development of village and town construction a powerful boost.

A Village And Town Construction Exhibition On An Unprecedented Scale

The national village and town construction exhibition, organized by the ministry to coincide with the conference, used a wealth of data, charts, pictures, models and exhibits to illustrate how China's village and town construction has been thriving. Twentyeight provinces, autonomous regions and municipalities directly under the central government took part in it, the first such display in the 38 years since the PRC was founded. According to incomplete data, about 30,000 people visited the exhibition, who were so dazzled by the endless array of exhibits that they gasped in admiration. So this is the nation's countryside? Look at these neat and original-looking "Western-style houses" dotting the landscape, or those straight, wide and tree-lined streets. The exhibition completely banished the old public image of the countryside as a backward, dilapidated and chaotic place. New socialist villages and towns are rapidly rising in the Divine Land.

As one lingered in the exhibition hall, one was most struck by the fact that the countryside is changing: peasants' housing, living environment, value system, daily habits, life style--all are changing. Statistically, from 1981 to 1985, newly built peasant housing and assorted public buildings in villages and towns amounted to 3.3 billion and 500 million square meters respectively, exceeding both the targets in the Sixth 5-Year Plan and total construction in the preceding 30 years. The quality of peasant housing has also improved steadily, resulting in significantly better housing conditions for hundreds of millions of peasants. In the Nei Monggol plains, 90 percent of the herdsmen have built permanent houses, basically ending their nomadic way of life. At Wuzhishan in Hainandao, 63 percent of the peasants of the Li and Miao nationalities, who had lived in thatched cottages generation after generation, have now put up brick-and-tile houses according to the plan. Affluent peasants in the Changjiang and Zhujiang deltas and the Xiamen- Zhangzhou-Quanzhou triangle in Fujian have even built large numbers of two- or three-story "villa-style" houses. In many areas, new socialist villages and towns have begun to take shape, transforming the face of the countryside. Pictures and models of such villages and towns as Caihe Cun and Yufushangying Cun in Beijing, Bixi Zhen in Jiangsu, Hongshan Xiang in Zhejiang and Dagang Zhen in Guangdong were the focus of attention at the exhibition.

Even as they devote material and financial resources to the construction of residential housing, the masses of peasants have not ignored the construction of service, production, public, educational and welfare facilities. In relatively prosperous areas, public buildings such as theaters, libraries and cultural centers have sprung up to satisfy the rising material and cultural needs of countless peasants who are gradually becoming better off. Running-water projects are developing apace; universal running water supply has even become a reality in certain regions. No longer do peasants in many areas in Gansu have to drink cave water or bitter salt water; so far 20 million people in that province are drinking groundwater regularly. Late 1985 statistics show that 840,000 peasants in Tianjin have running water, 90 percent of the target of supplying each and every household with running water. Niuzhuang Zhen in Haicheng County, Liaoning Province, has changed its priorities; instead of spending money on office and theatre construction first, as it did in the past, the village has raised money to build a 50,000 square meter rural trade market, put up a Japanese-made 1,200-ton waterworks to solve the drinking problem of 2,000 households, open or repair seven roads, build two teaching buildings and complete a heating system with a heating area of 3,000 square meters, all within the past 3 years.

Leadership, Planning And Experimentation Are Major Guarantee Of Successful Construction

In order to do a good job in village and town construction, a vital issue affecting 800 million peasants and their descendants, the CPC Central Committee and the State Council give it top priority. Over the past few years, leading CPC comrades like Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian and Wan Li have all inspected the countryside several times and issued clear instructions on village and town construction and development. The former State Capital Construction Commission and departments concerned

have also put forward the policy, "overall planning, correct leadership, depending on the masses, self-reliance, adapting measures to local conditions, gradual construction." Since its establishment, the Ministry of Urban and Rural Construction and Environmental Protection has also organized several conferences to exchange experience in village and town construction work, played an active role and provided leadership in the training of village and town construction personnel, formulated construction plans and launched construction design competitions, etc.

The top leaders of many provinces, autonomous regions and municipalities directly under the central government personally take charge of village and town construction, listen to reports, provide practical guidance, conduct frequent inspections and urge everybody to do his job and solve problems expeditiously. Every May, Beijing's leading comrades lead a group of relevant department heads, county CPC committee secretaries and county chiefs to the countryside for an in-depth look. This is followed by a preliminary assessment in October and a summing-up at year end. These actions have now been institutionalized and become a regular practice. The Tianjin municipal government has produced the "Ten Decisions to Improve the Livelihood of the Rural Population" for 2 successive years. In addition, relevant departments in the municipal government and districts, counties and bureaus have drawn up concrete plans on how to assist villages and towns, with the municipal leadership inspecting the implementation of such plans on a quarterly basis. Beijing, Jiangsu, Jilin, Fujian, Guangzhou, Ningxia and other places have all been tackling the training of county and village heads in earnest. After they returned to their jobs, they put market town construction on their agendas, played a leading role in village and town construction and came up with major achievements in no time.

In accordance with the demands of the ministry, localities have conscientiously been formulating plans for village and town construction. Up to mid-1985, over 75 percent of the nation's villages have completed their village market town planning. Most of such plans meet the criteria of logical distribution, land economy and providing guidance for present construction. In places like Beijing and Shanghai, detailed village and town planning has basically been completed and the plans are now being examined prior to acceptance. Market town and village planning has also been completed in over 10 provinces and municipalities, including Guangdong, Hubei, Shandong and Liaoning. Efforts are now afoot in those places to refine and elaborate the plans.

Because of the strong momentum in housing and market town construction in the countryside in recent years, many provinces and municipalities have devoted a good deal of attention to pilot projects to prevent haphazard development. They insist on two major criteria for experimentation: first, local leaders must take it seriously and support it; two, the area must be relatively well developed. They have also strengthened leadership over the experimental projects to ensure their standards. Pilot projects carried out under their supervision usually have a high popularization value.

The Development of Qualified Personnel Is An Urgent Task In Village And Town Construction

China's village and town construction rests on a shaky foundation: it has so few professional and technical personnel that they fall far short of meeting the urgent needs of present tasks. In recent years, localities across the nation have dealt with the development of intelligence and the training of qualified personnel as a strategic task and provided the minimum conditions for village and town planning.

According to reports delivered at the conference by the provinces, autonomous regions, municipalities directly under the central government and urban and rural construction agencies at the provincial, prefectural and county levels have provided training in the rudiments of village and town planning since 1982, using a variety of approaches such as short training courses and commissioning other agencies to do the training. At the end of 1985, a total of 500,000 people have received such training, forming a preliminary technical contingent in village and town construction. This contingent has played an important role in village and town planning and is now the backbone of village and town planning, construction and management. Everywhere village and town construction schools and technical senior high schools have been set up to develop professional personnel. Also, students are recommended for admission to technical secondary schools and colleges. In addition, provinces and municipalities with powerful technical resources, like Beijing, Tianjin, Liaoning, Jiangsu and Zhejiang have mobilized urban planning, design, building, scientific research and other units together with colleges and universities concerned to funnel technology toward the countryside and help villages and towns in planning, design and construction. They also help train qualified personnel and offer technical consulting services, etc.

For the time being, however, personnel shortages remain a basic problem in village and town construction, with the need for personnel in village and town planning, construction and management being particularly acute. To meet such a need, we must emphasize the training of the major technical contingent as well as that of junior personnel and, through a variety of methods and approaches, turn out a large contingent of professionals competent in management, design and construction. In his concluding speech, Lian Zhong [1670 0112], vice minister of urban and rural construction, pointed out, "The training of personnel is a critical issue which helps determine whether or not village and town construction can continue to make progress. We must fully understand this point, otherwise important things will be held up." These words should provide food for thought for every leading cadre responsible for village and town construction.

Comprehensive Development Is An Effective Approach to Accelerating The Pace of Village and Town Construction

Village and town construction currently confronts two practical difficulties: a shortage of construction funds and bottlenecks in material supply channels. An effective way to solve these problems is comprehensive development, which was the subject of a spirited discussion among many provincial and municipal delegates to the conference. Everybody agreed that rural housing construction

service companies, real estate development companies and village and town housing development companies established by many localities provide an excellent experience. The Baisheng Rural Housing Building Service Company in Gaomi County in Weifangshi, Shandong, offers a package deal, from planning to the delivery of the unit to the user. Peasants cite four advantages about this approach: first, reasonable charges; second, no bribery; third, the company is responsible for supplying both labor and materials; and fourth, fast work and good-quality products.

Even as localities everywhere do their best to succeed in village and town construction pilot projects, they also go in for comprehensive development enthusiastically, gradually replacing their past exclusive emphasis on housing construction with simultaneous attention to public facilities and infrastructural development. The counties of Honghu and Qianjiang in Hubei Province have founded a running-water development company with the aim of providing small towns in the area with running water by 1990. Wuhan approached the short-term construction and long-term planning of 100 small towns in its outlying counties by following exactly the requirements of comprehensive development.

Comrades at the conference believed that the comprehensive development of market towns must be preceded by reforms to do away with the problems resulting from current fragmentation and establish a unified management system. Furthermore, the success or otherwise of the comprehensive construction of a market town should be judged by its overall economic, social and environmental results. The consensus is that market town development should avoid some of the mistakes of urban construction in the past, such as environmental pollution. This and other issues in the comprehensive development of market towns must be seriously handled.

12581
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FOREIGN TRADE AND INVESTMENT

HOW, WHY FOREIGNERS INVEST CAPITAL IN CHINA

Shanghai SHIJIE JINGJI WENHUI [WORLD ECONOMY FORUM] in Chinese 5 Jun 85 pp 21-22

[Article by Jin Yanshi [6855 1484 4258]: "A Brief Discourse on the Reasons for and Characteristics of the Influx of Foreign Investments into China"]

[Text] As the world's economy has developed to this day, the places open for investments have rapidly shrunk, and the development of direct transnational investments has reached a new stage, a stage of "scanning the whole world." This presents a new challenge to traditional theories on capital exports. The influx of foreign capital into China is, furthermore, to a large degree determined by the direction and progress of China's reform of its economic system. This is another questions that can hardly be explained by traditional theories on capital exports. Observing the practice of the last few years, we can theoretically distinguish the following types of foreign capital influx:

1. Exploratory Investments: Up to now, more than 30 multinational corporations have invested in China. Their investments are generally not large and do not represent key undertakings by the corporations, but show a distinctly exploratory character. Some of these foreign-financed enterprises do not even keep their accounts in China. These are investments that are not focused primarily on the Chinese market and do not seek extra large profits, but are merely one of the ways by which the multinational corporations test China's investment environment and arrive at an overall assessment.

2. Investments of a Strategic Nature: These may be divided into two categories: One type focuses on China's natural resources. Most Japanese factories and firms belong to this type. The other type focuses on China's market, the so-called market of the 21st century. Investments of this kind frequently pay little attention to short-term profits, but show more concern for the long-term stability of China's open-door policy and the accessibility of China's natural resources and markets. Judging by current conditions, because of the uncertainty of China's natural resources and the obstacles in the domestic marketing channels, these investments grow at a comparatively slow pace, and those that have so far been made are mostly investments in preparation of the development of natural resources and investments of an advance nature or investments motivated by the opening of markets.

3. Investments of a Competitive Nature: Some enterprises that have had success with their investments in China are seen as precursors for placing investments in China by other enterprises in the same line of business. This is most evident in the case of Japanese enterprises. In our times, competitive investments have become one of the basic reasons for direct international investments. We may distinguish here two categories by the source of such investments: One type is competition that follows a party with whom there has been competition in the home country, and subsequently creating an emanation of this competition in a foreign country. Such is the case with the competition in the Chinese market by the Japanese automobile, electronics, and electric home appliance industries. Another type is the strategic competition in which the international competition between industries of two or more countries is transferred to or clashes in a third country. Such is the case with the competition in China between the West German and the Japanese automobile industries. In China this competition has brought forth a new pattern, which may be called a stimulation of investments of a semi-import replacement nature. In concrete terms, because of the problem of balancing foreign exchange, the products manufactured by foreign-financed or joint venture enterprises in the opened-up coastal areas, products that are sold domestically but for which accounts are settle in foreign exchange, particularly some components and substitutes which originally had been imported but are now merely processed by foreign-financed or joint venture enterprises (sometimes not even processed at all) and shipped into the hinterland, are driving out the products that had originally been imported. When this happens, certain enterprises abroad which had formerly exported the original products to China will shift their strategy to one of exporting capital, thus creating investments of a strategic nature, to protect their original export markets. This is obviously somehow connected with China's economic system and system of foreign exchange control.

4. Defensive Investments: In these days, direct investment by multinational corporations is merely a defensive measure to maintain a certain stability of the corporation. Because of the accelerated progress of technology and the frequent changes in the market, many modern companies will protect the stability of their profitable situation and their competitive position by adopting a business strategy of diversification in product sources and in the products themselves, while the traditional monopolistic companies with their specializations are in decline. Many foreign business firms invest in China for no other reason but as mere components in their main corporation's strategy of diversification; this may be called a strategy of attack as a means of defense. In China this method of defensive investment has produced a new pattern. The primary purpose of many enterprises coming to invest in China is to prevent by an early investment the entry of their competitors, mainly on the premise of thereby preventing loss of an opportunity in the more remote future. Although there is now a "systemwide seasonable stagnation" in Chinese investments, and a high uncertainty about many investment opportunities, this must not preclude farsightedness and lead to delays in participating when an opportunity presents itself, as otherwise one faces the possibility that a competitor may rush in ahead of oneself and one may lose the whole investment opportunity or the opportunity for a more favorable investment.

5. Transfer Investment: Some foreign businessman come to invest in China for the manufacture of export commodities with the main objective of reducing production costs and raising competitiveness in the international market. There are three types of such investments: One type involves the transfer of markets. The foreign businessman comes to China to invest with the main objective of getting closer to the markets for his products, reduce shipping costs and for fear of missing pertinent information. For instance, the main objective of the Japanese investment in the Sanyo plant at Shekou is to maintain a firm grip on the Hong Kong and Southeast Asian markets. Soon after constructing this plant, the productivity of some production teams came close to or even exceeded production records of the same industry in Hong Kong, and its profit margin was as high as 30 or even more percent. Another type involves a territorial transfer, where foreign businessmen mainly take advantage of China's low wages and land rents to reduce the cost of production of their export goods. For instance, the Kaida Toy Factory, operated by Hong Kong businessmen, employs many young female workers from 10-some counties of Guangdong and markets its products in the United States with a profit margin of 60 percent and higher. The third type are transfers for tax reasons; they mainly take advantage of China's favorable tax situation for foreign investments; this type of foreign investment is concentrated in some special economic zones.

Even though motivations for the influx of foreign capital differ, these investments are very versatile in adjusting promptly to Chinese conditions, and there is also basic uniformity in the conditions that affect the direction of the foreign investments and the increases of follow-up investments. Among these the two major conditions are: (1) A business environment for comprehensive manufacturing processes; and (2) an open domestic market. Without an environment that suits foreign capital to take up independent comprehensive manufacturing, foreign capital will hardly be inclined to establish itself; and without a profitable domestic market, foreign capital will not feel secure for long-term operations; even highly sophisticated and large-scale factories as the Sanyo plant at Shekou are no exception.

In the opened-up districts along the coast, especially in the four special economic zones, an initial business environment has been created that is suitable for the existence of foreign capital investments. The formation of a business environment of this kind is determined mainly by four elements: (1) The special policies adopted by China for the opened-up areas; (2) the external environment of the opened-up areas; (3) the continuous inflow of foreign capital; and (4) the economic and cultural conditions that originally existed in the opened-up areas. However, a further perfection and expansion of this environment has suffered restrictions by the current economic system, and the opening of the domestic market has also suffered restrictions from the current economic system. The result was creation of a trend, namely the creation of an "on-the-spot" market, that is, to expand the regional market gradually and through a variety of economic connections into a nationwide market.

The gradual expansion of the regional market into nationwide economic connections and even to international economic connections was a trend not due merely to the influx of foreign capital; a far more important condition was

the strength of the commodity economy in the comparatively developed coastal regions at this juncture of inflowing foreign capital, an economy that expanded all by itself and rapidly grew to maturity. This was showing in the constant expansion of horizontal connections of the enterprises in the opened-up coastal belt, the emergence of a large number of business-type entities, the rapid inflation of the tertiary industries, the constantly growing strength of the internal-linkage faculties of the foreign-financed and joint venture enterprises, as a consequence of which there was the transformation of certain opened-up cities of the coastal area into business centers. For instance, Guangzhou and other cities increasingly became talent circulation centers, fund circulation centers, and information centers. Under these conditions, there emerged the typical international investment pattern of the 1970's: the influx of foreign capital for manufacturing industries, preceded by investments in services, as for instance, the case of certain foreign businessmen first developing export trade and related service-type installations, before establishing manufacturing enterprises in China. All this spurred on the coastal areas that had first been opened up to become not only precursors of opening up to the outside world, but also precursors in economic system reform, and, furthermore, to become highly effective investment areas, creating a strong attraction for domestic capital circulation.

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FOREIGN TRADE AND INVESTMENT

NEW FEATURES OF SHANGHAI'S CHINESE-FOREIGN JOINT VENTURES

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 4, 20 Jan 86 p 30

[Article by special correspondent Gao Xiaoxiao [7559 5135 4562]: "New Features in the Development of Shanghai's Chinese-Foreign Joint Venture Enterprises"]

[Text] Up to the present, the number of Chinese-foreign joint venture, cooperative management and foreign-owned enterprises, approved and established in Shanghai, is somewhat over 140, with direct foreign investments of almost $1.2 billion, initiating for Shanghai a new stage of foreign economic cooperation and also presenting new peculiarities.

Development Toward Production, "Outward-Oriented" Enterprises

Half of Shanghai's joint venture and cooperative management enterprises are production and outward-oriented enterprises. The products which they manufacture mainly for export, earning foreign exchange, and products that are completely sold abroad are in such lines as gloves, suitcases and bags, porcelain plates, integrated circuits, cosmetics, plush toys, multipurpose telephones, electronic watches, sheeting, rubber shoes, and flowers and plants. Items of which a large proportion is exported are beverages, polyester monofilament, nylon zippers, medium and high quality furniture, and silk and brocade garments.

Many of the outward-oriented Chinese-foreign joint venture enterprises are "three-in-one combinations;" one side is the foreign trade department, which has information on foreign sales channels and international markets; one is the industrial or agricultural department, which is the production base, and which has an abundant manpower resource, traditional skills and a factory site at its disposal in the suburbs of the city; and one is the foreign or Hong Kong businessman, who will use his foreign capital to import equipment, technologies and raw materials. Most of these enterprises use advanced technology and equipment and produce top quality stylish products that attract the widest attention and interest among foreign businessmen, which has resulted in a huge increase in orders. For instance, Shanghai's first joint venture enterprise, the Shanghai Joint Woolen Spinning and Weaving Mill has installed advanced equipment and uses advanced technology in its comprehensive production, which comprises spinning, weaving and dyeing. This factory

produces the high-quality "Lianhe" brand angora sweaters, sheep wool sweaters, camel hair garments and lamb wool garments. These products sell well in 10 or so countries and territories, among them the United States, Japan and Saudi Arabia. The Shanghai elevator factory of the China Xunda Elevator Co., Ltd. is supplying the international market with all kinds of elevators, which are all up to international standards. Its products, such as the "shuang guang" elevators, the "qun kong" elevators, passenger elevators, litter hoists, freight elevators, and sundry elevator, are currently sold through an agency in Hong Kong and also exported to Southeast Asia, the Middle East, North Africa and Australia.

Enterprises of this nature are quick in starting up production and quick in showing results. For instance, the Xinhong Bleaching and Dyeing Plant had required only a little over half a year from the time negotiations were started to the time of starting up operations. The plant is currently in full production, and its entire production is sold abroad. The Jialaifu Shoe Co. produces 1.2 million pairs a year, all being sold abroad. The Hongma Embroidery Plant, established with Japanese capital, produces 2.1 million meters of lace, which are also all exported.

Increase of Technology-Intensive Enterprises

Technology-intensive and knowledge-intensive enterprises make up a large proportion of the Chinese-foreign joint ventures. For instance, many American companies have formed new companies together with certain Shanghai companies, such as the [Kasite] Software Co. and the [Kasite] Electronic Computer Co.; their products enjoy a certain reputation throughout the whole world. There is also the Chinese-American Wangan Co., manufacturing microcomputers, also a joint venture enterprise with high technology; its products will in the future be introduced into the international market. There are also several other modern enterprises with comparatively advanced equipment and technology, such as the Shanghai Bell Telephone Equipment Manufacturing Co., working with the participation of Belgian capital, manufacturing telecommunications material; the [Yaohua Pierjindun] Co. working with British capital participation, manufacturing float glass; the Shanghai Foxboro Co., working with American capital participation, manufacturing automated instruments and meters. All contribute to the change former techniques and technologies and to update outdated products. The Dazhong Automobile Factory, cooperating with capital from the FRG, because of the comprehensive character of automobile manufacture, will spur on the transformation of more than 100 horizontally-related industries. Most needed spare parts and components are also manufactured in this city. These technology-intensive and knowledge-intensive enterprises, therefore, play an important role in Shanghai's technological transformation, in the upgrading and updating of products and in the expansion of Shanghai's exports.

Steady Increase in the Number of Cooperating Countries and Territories

Among the joint venture enterprises, we see an ever widening circle of countries and territories that seek cooperation with Shanghai. Many of these enterprises are of international fame. Hong Kong territory accounts for half of the joint ventures, next comes the Unites States, with so far somewhat over

10 Chinese-American joint venture and cooperative management enterprises, of which the American Boatman Associates Ltd. has made the largest investment; it cooperates with the Shanghai Exhibition Center in building the northern hall of the Shanghai Exhibition Hall. Some of the European countries with cooperative ventures in Shanghai are Great Britain, the FRG, Belgium, France and Switzerland. Considerable investments by these countries are: the British [Pierjindun] Co. for the manufacture of float glass; the Belgian "Bell" investment for the manufacture of telephones, and the FRG's "Dazhong" investment for the manufacture of passenger cars. Among Asian countries, there are Thailand, Singapore and Japan. The Thai "Zhengda" Co. cooperates with Shanghai for the manufacture of motor bicycles, an enterprise also of some dimensions. Japan, starting last year--as a latecomer who is now surpassing the old-timers--has now begun to sign several joint venture and cooperative management contracts with Shanghai, some of the larger projects being the joint venture or cooperative construction of the Shanghai International Trade Center, the Shanghai Garden Restaurant, the Pacific Restaurant and a complex of high-class villas. But it is not only high-rise buildings and restaurants for Japan, as it recently also signed a contract with the Rihua Co. for the joint venture to manufacture hairdresser essentials. Recently, Shanghai's first joint venture with Australia was approved and set up; this is the Shanghai Gem and Jewelry Co., Ltd., specializing in the business of all kinds of pearls, gems and jewelry.

Chinese-Foreign Joint Venture Procedure Accelerated

Only 10 enterprises of each kind, of the joint venture and of the cooperative management enterprises, were approved during the first 4 years, from 1980 to 1983, while 35 joint ventures and 25 cooperative management enterprises were approved in the 1 year of 1984. In 1985, Shanghai achieved progress of breakthrough dimensions in attracting foreign capital. From January to September last year, 49 Chinese-foreign joint ventures and 27 Chinese-foreign cooperative management enterprises were approved and set up. These 76 enterprises brought in $730 million of foreign capital; increases of 73 and 114 percent, respectively, compared with the preceding year.

At the same time, procedures for negotiations, examination and approval, importation, building construction and investments were much simplified, and the progress of actual construction work was much accelerated. Projects of which construction was finished and turned over for occupation in 1985 were the Yandang Mansion and the Lianyi Mansion; projects under active construction are the Jingan and Hilton Hotels, the Shanghai Garden Restaurant, and the branch of the Zhenjiang Restaurant. In the case of the northern hall of the Shanghai Exhibition Center, being built as a Chinese-American cooperative project, the ground has already been prepared for construction, which is to begin soon. The Shigui Pharmaceutical Manufacturing Co., Ltd., a Chinese-American joint venture, the Huanqiu Toy Co., Ltd., a Shanghai-Hong Kong joint venture, and the Shanghai Ace Suitcase and Bag Co., Ltd., a Shanghai-Hong Kong joint venture enterprise, are enterprises which have already started production. For many of these it took less than 1 year for the whole process from the start of negotiations, to approval, start of construction, completion

of factory building and start of production. It took only 10 months to complete the first stage of construction for the Shanghai Ace Suitcase and Bag Manufacturing Co., Ltd., a factory that covers an area of 2,100 sq m.

These new features add to the attractiveness of Shanghai for foreign investments. Chinese-foreign joint ventures also have the effect of helping adapt products to the demands of the international market and of promoting the even wider opening of Shanghai's gate to the outside world.

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FOREIGN TRADE AND INVESTMENT

SELECTION OF APPLICABLE CONTRACT LAWS DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 12, 5 Dec 85 pp 51-53

[Article by Chen Xiangjian [7115 4382 0256]: "Limitations on the Choice of Law by Parties to Foreign Economic Contracts"]

[Text] On the adherence to international practice, the Chinese Foreign Economic Contract Law (FECL) has laid down two principles in its Article 5, dealing with the choice of law, namely the principle of free choice by the parties and the principle of closest connection. The principle of free choice manifests the "principle of autonomy of the parties" in private international law. Many countries have now legislated restrictions on this freedom of choice.

In adopting the principle of freedom of choice, China is conforming to the new international situation and the needs of China's national economy. The advantages are that after conclusion of a contract, the parties are in a position to interpret their rights and obligations according to a predetermined law of their choice, thereby avoiding the possibility that in case of controversy a troublesome situation could arise due to a conflict between the laws of different countries. It is also beneficial to determine a certain law and its application as standard, because this will save time in case of a lawsuit, and will allow the parties to anticipate the law that will have to be applied to the contract to which they are party. However, in the case of Chinese-foreign economic contracts, the choice-of-law rule is not without its restrictions, but must accept certain restrictions.

The FECL does not contain a comprehensive and explicit set of provisions on the scope of these restrictions, and views in this respect are also still divided in legal circles. In the opinion of this writer, the following are the main special restrictions on the application of the freedom of choice by parties to foreign economic contracts in China:

1. The choice of law by the parties must not contravene the mandatory norm of Article 4 of the FECL, which stipulates: "The conclusion of contracts must observe the law of the PRC and must not be harmful to the public interests of the PRC." This article embodies a distinct characteristic of Chinese legislation; its first part is a mandatory norm on the conclusion of

contracts, and its latter part a provision that guarantees the preservation of public interests.

In the legislation and administration of justice in various modern countries it is a common practice that the application of foreign laws is restricted by mandatory norms. There are two conflicting trends in the legislative methods of the various countries in dealing with the choice of law. One is to have the chosen law basically applied to the entirety of the contract; and the other is to break up the contract and apply different laws to different parts of the contract. Both trends have certain advantages, which is why the legislations in various countries frequently apply both methods. They apply the choice of law in principle to such aspects as the validity, performance and formation of the contracts, but at the same time restrict, to varying extents, the application of the choice of law with regard to certain other aspects in the formation of the contracts. The provisions of the FECL also apply in principle the choice of law to the entirety of the contractual relations, however, the provision on the conclusion of the contract in Article 4, demanding that Chinese law must be observed, restricts to a large degree the application of foreign law, because according to a general theory of private international law, the law of the place of contracting must be applied in case of controversy over the formation and validity of a contract. This rule very much enhances the possibility of applying Chinese law for contracts established in observance of Chinese law.

Chapter 2 of the FECL contains specialized and detailed provisions on the formation of contracts, while the provisions of Article 4 of the "General Provisions" are mandatory norms of principle governing the formation of contracts. This provision of principle implies that every aspect of contract formation detailed in Chapter 2 must in every way conform to Chinese law, otherwise the contract would be invalid, and the application of foreign law is quite out of the question.

Why has China decided on this mandatory norm for the formation of contracts? First, foreign economic and trade activities are conducted under unified leadership, unified policy, and a unified plan. Without a unified regulation on the formation of contracts, it would hardly be possible to carry out unified foreign trade activities. Second, more importantly, the objects subject to the regulation of the FECL are only the economic contract relations between Chinese enterprises or economic organizations and foreign parties, which are different from the ordinary foreign civil law relations in a broad sense that are generally regulated by private international law. As all activities of the parties are fixed in contract form, there are bound to be specific and purposeful provisions on all problems of the contract. It is for this reason that a foreign economic contract is only valid if it was concluded in accordance with Chinese law; this determines that the formation of a contract must observe Chinese law.

2. The foreign law chosen by the parties must not contravene Chinese public order. Public order is a barrier set up by a country against the use of foreign law. Articles 4 and 9 of the FECL are explicit provisions for the preservation of public order. It is noteworthy that public order is a very pliable concept; it can change according to the will of the ruling class.

Misuse in the exclusion of foreign laws can also lead to undesirable consequences. It is therefore necessary to use this restriction carefully and at the same time to adhere to certain standards. Although these are not precisely defined in China's FECL (which is actually impossible), it is still possible to make out in what situations and according to what principles the application of foreign law must be rejected for the reason of preserving public order. For instance, the system of public ownership is China's fundamental economic system. China's Constitution expressly prescribes: "Socialist public property shall be inviolable," "The state prohibits any person to disturb public order by any means whatsoever, to disrupt the state's economic plan, to misappropriate or squander state or collective property, and to endanger public interests." Any provision in a foreign law selected by the parties that would allow using private property to undermine public interests and harm the system of socialist public ownership cannot be applied in China.

3. Chinese law has to be applied to three categories of Chinese contracts with foreign parties, and in these cases no foreign law may be selected by the parties. Article 5, Section 2, of the FECL explicitly prescribes: "The law of the PRC shall govern all contracts for Chinese-foreign joint ventures, for Chinese-foreign cooperative management enterprises, and for joint Chinese-foreign exploration and exploitation of natural resources to be performed within the territory of the PRC." This provision is also a mandatory norm governing the application of law in China. To insist on the exclusive use of the law of the host country in certain categories of contracts with foreign parties is a general international practice. Since the content of the mentioned three categories of contracts between Chinese and foreign parties has a bearing on China's sovereign rights, the provisions of the FECL prescribing the exclusive use of Chinese law are completely rational and well-founded. Parties have no alternative but to obey the rule and no right to tamper with it.

4. The law chosen by the parties must have some connection to the contract. Internationally, there are now two propositions and methods on dealing with this questions. According to the view of certain Western scholars, the parties should have complete freedom to choose the law of whatever country they want to choose; except for purely domestic contracts, the right of choice of the parties must not be restricted. However, this viewpoint is actually only the lingering sound of the absolute contract freedom propounded in the times of liberal capitalism. It does not conform anymore to the reality in the Western countries with their increasing socioeconomic interferences and is therefore rejected by the legislation and judicial administration of all countries. At present, many countries, such as the United States, Great Britain, and Poland, try to prevent parties from using the choice-of-law freedom from applying a quasi-applicable law in order to avoid the application of the law that should be applied. To that effect they all require that the law the parties choose must have a certain connection with the contract, or that the choice of the law must be "in good faith," "legal," or "have a rational basis." If there is absolutely no connection between the chosen law and the contract, it may be regarded as evidence that the parties attempt an evasion, and such must be disallowed.

Legal circles in China have not formed a unified opinion on the question of whether the law chosen by the parties must have a connection with the contract, and there is also no answer to be found in the FECL. In the opinion of this writer, considering the national conditions of China and the present conditions of foreign trade intercourse, China should also in this respect impose restrictions on the choice of law by the parties. First of all, one of the reasons for allowing the parties the choice of law to be applied in case of a controversy is the consideration that the parties be enabled to predict the way a dispute will be resolved. Chinese parties are not as familiar with foreign laws as people in Yugoslavia or other such countries, and therefore would have difficulties in making choices. Because of the disturbing influence of jurisprudential nihilism, Chinese comparative studies of foreign laws has not been carried out in depth, and there is insufficient understanding of the laws of third-party countries, so that there is no sense at all in expecting the Chinese parties to gain any predictability. Second, in the new era of economic growth, it is extremely desirable to resolve disputes between the parties to a contract as quickly as possible, also in the interest of our development of foreign economic exchanges and the acceleration of our four modernization projects. If the parties arbitrarily choose the law of a third country or one that has no connection or relations at all with the contract, it would be very bothersome to establish its validity, and not helpful at all toward bringing about the resolution of the dispute. Third, the choice of an unrelated national law can possibly have the effect of having a contract, which originally was very closely linked with China, eliminated due to the application of the law of a third country, which would be detrimental to the preservation of the interests of the Chinese party. In view of the above reasons, it is indeed necessary for China to impose the mentioned limitations.

How, then, are the parties to choose the law of a country that is connected with the contract? Generally speaking, this may be determined according to the following factors: the place of contracting, the place of performance, the place where the loss in question has occurred, the place where the dispute is litigated, the place of residence or business of the debtor, and the character and objective of the contract.

The earlier-mentioned four points are the principal special limitations of the choice of law by the parties according to the FECL.

In addition, some writers have expressed the idea that the choice of law by the parties should also be subject to the following restriction: The foreign law that is to be applied must be explicitly designated in Chinese law or in an international treaty concluded or participated in by China. As to the former condition, namely that a foreign national law may only be used if explicitly designated in Chinese law, this condition has already been eliminated from the provisions of the FECL. Article 5, Section 3, of the FECL prescribes: "International practice shall apply in case no relevant provision is contained in the law of the PRC." That means, the law chosen by the parties, even if no provisions are made for it in the Chinese law, would not be necessarily precluded; its application would be determined according to international practice.

As to the latter, namely restrictions explicitly prescribed in international treaties concluded or joined in by China. This restriction is in actual fact a restriction by the condition of reciprocity. On the one hand, restrictions explicitly contained in an international treaty concluded or joined in by China must of course be applied. On the other hand, if China has not concluded a treaty with the country of the other party, and also not joined a relevant international convention, should no laws of such countries ever be applied? A procedure of this kind would not be feasible in the new situation of modern international commercial intercourse. In actual fact, reciprocity is generally not the precondition for the application of a foreign law. The lack of reciprocity does not necessarily preclude the application of foreign law. This is clearly stated in Article 6 of the American "Restatement of the Law of Conflict of Law," also recognized by jurisprudential circles in the Soviet Union and in the East European socialist countries. However, the legislative and judicial organs, when dealing with foreigners or residents in foreign countries, occasionally make reciprocity a condition for the application of the foreign law, and for the purpose of ensuring judicial succor, the recognition and enforcement of foreign judgements or decisions is normally dependent on reciprocity. The provision in Article 204 of China's civil procedure law regarding the recognition and enforcement of foreign judgements also contains the condition of mutual reciprocity. However, to make reciprocity a condition for the application of foreign law in all cases of foreign economic relations would not be appropriate for the development of international intercourse. Article 6 of the FECL prescribes: "When an international treaty that related to a contract and which the PRC has concluded or jointed in has provisions that differ from the law of the PRC, the provisions of the said international treaty shall apply, however, with the exception of clauses to which the PRC has declareed reservations." How, then, to use the rule in case China has not concluded or joined treaties? It is my opinion that the provision of Article 5, Section 3, namely that "international practice may apply," could also be applied in these cases.

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FOREIGN TRADE AND INVESTMENT

GUANGZHOU'S FOREIGN CAPITAL USE OVER LAST 6 YEARS

Beijing LIAOWANG [OUTLOOK] in Chinese No 52, 30 Dec 85 pp 29-30

[Report on an Interview with Zhu Senlin [2612 2773 2651], deputy mayor of Guangzhou Municipality, by Tang Wei [0781 3555]; date and place of interview not given; first 8 paragraphs source supplied introduction]

[Text] I. Numbers are very convincing. In the statistical tables dealing with the use of foreign capital in Guangzhou during the last 6 years, this reporter has seen rows and rows of eye-opening figures.

Out of the $1.84 billion contracted for in foreign investment contracts, already more than $970 million have actually been invested and taken in use.

A total of 217 joint venture, cooperative management and compensation trade projects have already been built up or gone into production. Cases of technological transformations by means of imported foreign technologies and equipment number 312. The total output value thus created amounted to 2.4 billion yuan, with a tax revenue of 370 million yuan, and the development of 4,200 new products.

Industrial products exported by the foreign trade itself amounted to more than $1.64 billion, and the total value of exports was around 13 percent of the city's total industrial output value. More than 50 export commodities yielded foreign exchange of more than $1 million each. The total amount of industrial products exported during the period from January to September this year was $236 million, an increase of 20 percent over the corresponding period last year.

Twenty-six tourist facilities were built with the use of foreign capital, 20 of these with a total investment of over $26 million; these projects had all their obligations repaid by July last year. Old enterprises that were transformed by means of joint ventures yielded over $67 million of foreign exchange for the state and paid a total of 11.9 million yuan in industrial and commercial tax and customs duties.

Guangzhou's use of foreign capital has had spectacular results. People are

extremely concerned whether foreign capital was really put to the best use. It was with this question in mind that this reporter interviewed Guangzhou's Deputy Mayor Zhu Senlin.

Zhu Senlin, 54 years of age, had studied social sciences at Qinghua University and has worked in Guangzhou for over 30 years. He had been, successively, deputy secretary of the Guangzhou municipal party committee, chairman of the policy study office of the party committee, chairman of the council of Guangzhou's center for economic and social development research, and in August of this year was appointed deputy mayor.

II. Guangzhou was the earliest among the 14 coastal cities that opened up to the outside world. Actually, as early as 1981, when Shenzhen, Zhuhai, and Shantou were designated special economic zones [SEZs], Guangzhou had been a connective hub for these three SEZs. Although Guangzhou was not yet a SEZ at that time, it exercised the competencies of the special policies and flexible measures and was called a "semi-SEZ." In that sense we can say that Guangzhou enjoyed exceptional advantages with respect to the use of foreign capital.

Zhu Senlin said: Having the favorable preconditions for the attraction of foreign capital does not at all mean to be able to make effective use of foreign capital. The most important point in assessing whether an area or a department follows the correct guiding ideology in its use of foreign capital is to examine whether it is able to use the hard-earned foreign capital on economic construction, on efforts to improve conditions of production, on enhancing the competitiveness of its products, on opening up international markets, and on increasing foreign exchange revenue for the state. Practice has clearly shown that there exist two guiding ideologies with regard to the use of foreign exchange: One lacks a comprehensive plan, engages in irrational development, or is even intent on quick successes and instant profits, and schemes on "short cuts" to get rich by foul means. The other starts out from the realities and from the requirements of the overall situation; it uses foreign capital to import advanced technologies and equipment to promote the country's technological progress, to develop productive forces, and to accelerate the four modernizations.

In Zhu Senlin's opinion, the principal topic in the effective use of foreign capital is the effective selection of the investment targets. All imports must suit our needs and be for our use.

In the last 6 years, Guangzhou has signed over 16,600 contracts for all kinds of economic and technological projects, of which over 200 were imports of production lines at the international level of the early 1980's and comprised 17,000 installations, enabling basically all important installations of the entire city's industry to undergo transformation.

Prior to the initiation of the policy of opening up to the outside, Guangzhou City had 4,007 large and small enterprises working with outdated equipment, at low productive capacity and showing poor economic results. To achieve a radical change of the state of industrial backwardness, Guangzhou concentrated in its use of foreign capital on the technological transformation of enterprises. In a few years time, Guangzhou imported successively several

items of advanced equipment and technologies, developed a series of new products, and raised the standards of a series of products to the international level of the late 1970's and early 1980's. Some of its electronic products, electrical household appliances, some foodstuffs, such as soft-packaged drinks and instant noodles, also some knitwear, fabrics and plastic products, filled a gap that existed in China and in Guangdong Province. In addition, Guangzhou, created many "hot-selling" goods and superior products. The importation of advanced equipment enabled the Municipal Cotton Mill No 1, an old enterprise, to produce now such superior items as indigo-dyed durable woolen cloth, ring-spun woollen yarn, and gassed yarn, products which have been able to break into the international markets with exports of large lots. The export value of products of Guangzhou's light and textile industries accounts for about 70 percent of the entire city's total export value.

Zhu Senlin spoke of the Guangzhou electric appliance industry, that it was able to manufacture in the past only such ordinary products as bakelite electric appliances, electric soldering irons, electric flatirons and electric fans. Through the technological transformation of the entire industry by means of imported foreign capital during the last few years, the industry can now mass produce a large variety of models and standards of such high-grade, sophisticated and top-notch products as electric cookers, electric refrigerators, electric water heaters, double-tub washing machines, and audio components, making Guangzhou one of the major places in China for the production of electric household appliances. The Guangzhou Electric Refrigerator Factory imported two production lines, constituting a capacity of 200,000 electric refrigerators per year and taking first place in the export volume of refrigerators.

In the course of its importations, Guangzhou is anxious that foreign capital is also used to renovate and supplement service installations. For instance, the respective municipal departments cooperated in a variety of forms with Hong Kong firms to transform and newly build some high-class restaurants and guest houses. Chinese and foreign visitors to Guangzhou, numbering more than a million every year, need no more fear difficulties in finding accommodation. Gone is the intolerable situation that people had to line up at restaurants to wait for empty seats.

III. What are principles that must be upheld in the use of foreign capital? Zhu Senlin explained to this reporter the methods used at Guangzhou, which may be summarized as follows:

First, maintaining a sequence from small to large, progressing in an orderly way and developing step by step in depth. In the early days after opening up to the outside, Guangzhou started out by processing materials imported by foreign firms, manufacturing according to imported models, assembling imported components and engaging in compensation trade. In the assortments of products, development should be step by step in a planned way from a single type of product to a diversity of products and toward processing for exports. This procedure will achieve three things in one stroke: earning foreign exchange, training of personnel and accumulating experiences. On this basis, going one step further, the importation of equipment, technologies and

managerial expertise should follow in a development of more high-ranking joint venture and cooperative management projects. Through several years of practice, Guangzhou's imported projects gradually developed from labor-intensive to technology-intensive industries. By the first half of this year, the proportion of technology-intensive industries among projects using foreign capital increased from 11 percent in 1983 to the present 41 percent.

Second, insisting that reform be a means of opening up to the outside. In recent years the city carried out a series of reform measures to adapt to the needs of the situation created by opening up to the outside world. At the beginning of this year, the municipal government decided to concentrate the location of all departments having dealings with foreign economic relations in offices along two sides of a long corridor of the Dongfang Hotel, thus forming one street, which was called the "foreign economic relations lane." All business and counseling having to do with economic and technical cooperation, trade talks, agency arrangements, as well as industrial and commercial registrations, can all be transacted here. The response of many foreign businessmen was: Being able to settle all business affairs under one roof, as in Guangzhou, is a highly praiseworthy method and good show of efficiency.

Third, strengthening administrative controls. Controlling and opening up are a dialectic unity. The purpose of control is to enhance opening up, to enable opening up one step further. During the last few years, the control of overall balances in the use of foreign exchange has been tightened. On the one hand, rights of examination and approval have been relegated down to lower authority, but then again, plan guidance was tightened, while good work was done in counseling, coordinating and providing information, so that most investment projects conformed to the demands of the developing national economy. Recently, the municipality investigated 451 joint venture, cooperative management and compensation trade projects and found that 295 projects, i.e. 65 percent, were projects of a productive nature in such industries as communications, machine building, electronics, chemical engineering, post and telecommunications, building materials, as well as foodstuffs, light and textile industries, and animal husbandry, i.e. industries which the state encourages to develop.

Fourth, there are things to import and things to resist. In the course of opening up to the outside world, we must maintain a high degree of vigilance against capitalist decadent ideology and life style, which we must resolutely resist. We must neither "give up eating for fear of choking" nor must we act without discernment as "hungry men who are not choosy about their food." We must uphold the principle of "rejecting polluting filth, but must not oppose everything foreign." As we open wide the gate to the outside world, we must simultaneously launch a vigorous education in ideals, discipline, professional and social ethics, we must rectify unhealthy practices, deal a blow to any criminal economic activity and guarantee the healthy development of our access and accessibility to the outside world.

Zhu Senlin finally said: Although Guangzhou has achieved certain results during the last few years with the use of foreign capital and accumulated certain experiences, there are still some questions that must be resolved step by step. We are currently in the process of shifting the focus of our use of

foreign capital progressively to industrial and technological projects, to comparatively large-scale projects and to key projects with comparatively high starting points, maintaining the simultaneous development of large, medium and small-scale projects. In the upgrading and updating of our traditional products, in the development of new products and in opening up international markets, we plan, first of all, to take one step at a time, explore the road, have Guangzhou assert its due role, and make a larger contribution toward the great undertaking of the four modernizations.

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FOREIGN TRADE AND INVESTMENT

FUJIAN GEARING UP FOR TOURISM

Fuzhou FUJIAN RIBAO in Chinese 20 Jan 86 p 1

[Article by Ke Xing 90344 5281] and Wei Ping [4850 1627]: "A Springtime of Tourism Follows Fujian's Opening Up to the Outside World"]

[Text] Fujian's tourism has rapidly developed. According to still incomplete statistics, 1.11 million tourists visited Fujian during the period of the Sixth 5-Year Plan, creating 240 million yuan RMB in foreign exchange certificates. Among these, the number of tourists handled last year was over 340,000, which was more than 5 times what it was in 1980, with foreign exchange revenues from tourism amounting to 100 million yuan, an increase of 57.2 percent over 1984.

Stimulated by the opening up to the outside world, some major scenic areas in Fujian Province such as Wuyishan and Xiamen have by now been built up to a considerable initial scale, and a series of new scenic areas in Fuzhou, Quanzhou, Zhangzhou and other places along the coast and railway lines are now also being developed and built up. The entire province now has more than 5,000 beds to accommodate foreign visitors, which is about 11 times the number in 1980. Facilities in such places as Fuzhou's Donghu Hotel and Foreign Trade Center Restaurant, Xiamen's Lujiang Hotel and Yuehua Restaurant, and the Manting Lodge and Wuyishan Inn in the Wuyishan area are all up to modern standards.

At many places throughout the province, a series of new medium and lower-class hotels have been built. The province has now almost 1,000 motor vehicles for tourist purposes, a 5-fold increase compared with 1980. There has also been a rapid increase in tourist activities. The provincial department for tourism has established business relations with scores of foreign countries and has started up such diverse and novel tourist activities as self-driven car and trailer rides for foreigners throughout Fujian Province, Lanting College in Wuyishan, excursions to satisfy religious, scholarly, cultural and folklore, economic investigation, sports, or international exhibition interests. At the two ports of Fuzhou and Xiamen there are also 16 foreign-style excursion boats.

As we understand, the tourism system now has a complement of over 5,000, which is more than 3 times the 1980 number. Fujian Province has 1 tourism college and 12 senior middle school courses in tourism, which will supply the tourism system with almost 400 specially trained personnel. All hotels catering to foreigners are running various types of service personnel training courses, which will enhance the educational level and service standards of service personnel. Almost 300 persons throughout the province have been evaluated and confirmed as cooks and chefs from first to fifth grade.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

HEBEI FOREIGN TRADE EARNINGS--In 1985, Hebei Province earned $1.295 billion in foreign exchange through foreign trade and exports, an increase of 70.34 percent over the previous year. [Excerpt] [Shijiazhuang HEBEI RIBAO in Chinese 11 Feb 86 p 1 SK] /9599

GUANGDONG FOREIGN JOINT VENTURES--Guangzhou, 1 Mar (XINHUA)--Foreign joint ventures have developed rapidly in Guangdong Province in recent years. By the end of 1985, there were 3,596 enterprises of this kind, accounting for about 60 percent of the total number of foreign joint ventures in China. Foreign-investment enterprises developed especially fast in Guangdong last year. According to statistics, 1,753 such enterprises were approved to be established last year, of which 495 were foreign joint ventures, 1,217 were foreign joint cooperative enterprises, and 41 were foreign-owned enterprises. These enterprises brought an increase in registered capital of more than 3.8 billion yuan, of which 63 percent was invested by foreign companies. [Summary] [Beijing XINHUA Domestic Service in Chinese 1138 GMT 1 Mar 86 OW] /9599

LIAONING EXPORT ACHIEVEMENTS--Liaoning Province realized $5.4 billion in its total export volume in 1985, and its total purchase volume of export commodities reached $64.64 billion, topping highs in these areas. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 9 Mar 86 SK] /9599

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SPECIAL ECONOMIC ZONES

TRANSFORMATION OF SHENZHEN'S INDUSTRIAL STRUCTURE

Guangzhou NANFANG JINGJI [SOUTH CHINA'S ECONOMY] in Chinese No 5, Oct 85 pp 14-19

[Article by Yang Zhihe [2799 1807 0735]: "Investigating the Industrial Structural Progression of the Shenzhen Special Economic Zone"]

[Text] Industrial structure refers in general to the composition and structure of the various sectors of the national economy and the various aspects of social reproduction. Seen from the viewpoint of developmental economics, industrial structure refers to the aggregate of industrial sectors with one industry in dominant position and to the composition and structure as between the various trades. It is a systematic industrial structure. It usually comprises two processes of progression: One is a process of progression within the industrial structural system, such as the development of the various sectors and trades of the system itself, leading to transformations in the original proportions and relations. The other is the progression of an industrial structural system with a certain industry in a dominant position to another industrial structural system with another industry in dominant position. Both these two processes are mutually complementary and mutually conditioning. The progression within the system is bound to lead to the transition of the industrial structure itself to another industrial structural system. The present article intends to examine this progression of industrial structural systems.

1. Some Concepts of the Setup of Industrial Structures

In 1982 the Shenzhen Special Economic Zone [SEZ] drew up an "Outline for the Social and Economic Development of the Shenzhen SEZ," and on the basis of opinions invited from specialists in various fields, put forward as the strategic goal for the development of the Shenzhen SEZ: to create a comprehensive economic zone with industry as its key pursuit, but to engage concurrently in commerce, agriculture, housing, tourism and scientific research. However, no in-depth analysis was done on what strategic ways and means should be adopted and through what kind of an industrial structural progression the desired goal would be reached.

In recent years, as a consequence of changes in the political and economic situation, particularly also due to the emergence of the new technological

revolution, some new views have been voiced regarding the strategy and initiatory policy for the development of the Shenzhen SEZ. In these new views they reveal the following concepts for the establishment of an industrial structure for Shenzhen:

(1) The doctrine of an "international trade center." With an eye on the advantages of the geographical location and the successful experiences of Hong Kong, they propose to draw a lesson from the successful economic development of Hong Kong, take advantage of the geographical proximity to Hong Kong and turn Shenzhen into an "international trade center," make commerce the priority sector and establish an industrial structural system with commerce as the key objective.

(2) The doctrine of a "base for the newly emerging industries." This holds that Shenzhen should energetically import new technologies and newly emerging industries, to specially develop such items of new technology as microelectronics, integrated circuits, computer software, and to develop the corresponding industrial sectors, that it should at the same time, centered around the development of the Nanhai oilfield, particularly import items and new technologies and equipment in the five fields of petrochemicals, electronics, mechanical and electrical machinery, warehousing and storage facilities, and transportation equipment They put forward the concept of the concurrent adoption of two industrial structural systems, namely a technology-intensive and a capital-intensive system.

(3) The doctrine of "market strategy." It holds that the development of the Shenzhen SEC must start out from the realities of the situation, direct its attention to the actual demands of the target markets and keep aware of the SEZ's capabilities, and make rational arrangements for the SEZ's industrial structure, commodity structure and technological structure. Its industrial structure may be technology-intensive, possibly capital-intensive or also labor intensive, depending mainly on the market objective and the actual conditions of the SEZ. As the market conditions change, corresponding structural changes may occur.

The concepts about the industrial structure expressed in the above-stated developmental strategies are approaching their investigations from different sides, and seen from a certain angle, each has its desirable points. However, seen from an overall viewpoint, they are all fragmentary. To grasp the industrial structural progression in its entirety, in order to determine an appropriate policy and adopt appropriate measures, it is necessary to institute our investigations from the viewpoint of the overall system.

2. The Industrial Structural Progression on the Assumption of a Closed Economy

Assuming that the Shenzhen SEZ were a closed economic system, it would have no domestic or foreign personnel, financial, material, supply, production and marketing relations. All needed key elements would have to be satisfied from out of its own capabilities. The Shenzhen SEZ itself would then have to provide the necessary conditions and machinery needed for its own existence and development. This would at the least require three types of subsidiary

systems: 1. A basic sector industrial production system; 2. A processing sector industrial system; 3. A service sector industrial system. These systems would comprise the following sectors and trades: agriculture as the foundation on which the national economy develops; a basic structural sector which would provide the material conditions for social and economic development; the machinery, equipment and materials industries and various consumer goods industries to manufacture products for production and for the people's livelihood; public undertakings such as planning and budgeting, medical and public health, livelihood and housing, and also service sectors to take care of commodity storage and supplies, travel and tourism, education and art and environmental protection.

To ensure the development of all these sectors and trades in the Shenzhen SEZ, there must be a rational allocation of funds, technologies, manpower and material resources to all these sectors and trades, that is, the limited developmental elements must be allotted to the various industrial sectors and trades in the SEZ in accordance with the special characteristics of orderliness, coordinating nature of the progression, cause-and-effect character in the relations, mutual similarity and exchangeability possessed by the industrial structural progression.

However, the establishment of the industrial structure does not depend on subjective will, but is determined by objective economic conditions. Whether it would be possible for the Shenzhen SEZ, under the conditions of a closed economy, to set up an all-encompassing industrial structural system, and according to what order and proportions it could set it up, has to depend on the objective situation of the Shenzhen SEZ under the conditions of a closed economy.

A general analysis of the basic conditions of productive forces, of the demand structure and distribution structure in the Shenzhen SEZ can only arrive at the following conclusion: Under the conditions of a closed economy, the Shenzhen SEZ would still lack the objective preconditions for the establishment of a perfect industrial structural system. Not being able to set up a perfect industrial structural system would mean that the defective industrial structure cannot have an orderly, well coordinated, mutually cause-and-effect related progression, and that its development would meet with unsurmountable obstacles. Even if it were able in the initial stage of the SEZ to establish a somewhat imperfect industrial structural system and achieve a certain degree of development, this would be followed by the emergence of all kinds of restrictive conditions, and followed by a dislocation of the self-regulating machinery within the industrial structural system itself, and finally lead to decline and ruin. Since the Shenzhen SEZ would not be able to rely on its own strength to gain economic growth and social prosperity, the development of the SEZ must be accompanied by an open industrial structural system; it must move from a closed economy to an open economy.

3. The Industrial Structural Progression Under the Conditions of an Open Economy

Examining the Shenzhen SEZ's economy within the framework of an open economic system, the industrial structural setup and its transformation would then not

be limited to the objective conditions of the SEZ itself, and we would be able to expand our considerations of the decisive objective factors to a very broad field.

The influences created by the domestic and foreign factors on the industrial structural progression of the Shenzhen SEZ are mainly brought about by certain complementing effects on the SEZ: The lack of natural resources and qualified personnel in the Shenzhen SEZ could be satisfied by supplies from domestic sources; the lack of capital and technologies could be solved by imports from abroad; the demand and the markets that Shenzhen is lacking could be realized by expanding domestic and foreign markets. However, the question whether these complementing effects can indeed be realized has to depend on many complex factors. There are the restrictive factors of external conditions and also limiting factors presented by conditions within the SEZ itself. For instance, whether foreign capital and technologies can be brought to supplement shortages in the SEZ will depend on how much surplus capital is available in the various countries of the world for investments in foreign countries, also on whether the various countries have encouraging or restrictive policies regarding exports of capital and technologies to the SEZ. It will, furthermore, depend on the extent to which the SEZ is attractive for foreign capital and technologies. Then again, the extent to which the foreign markets and the domestic markets will be able to absorb products and labor services of the SEZ will depend on the extent to which the foreign and domestic markets will be open to products from the SEZ, and also on the competitiveness of the products manufactured in the SEZ.

Assuming that there are no restrictions on the importation of foreign capital and technologies into the Shenzhen SEZ, an analysis of the SEZ would then have to question the SEZ's attractiveness. An investigation of the attractiveness can be approached from the angle of the investment environment, the production costs and the domestic support for the SEZ.

The Investment Environment. Even though Shenzhen's administrative efficiency has been markedly improved in the reform of the economic system, the Shenzhen SEZ has in many other respects no particular superiorities to show. As to the infrastructure, there is no deep-water harbor, there is no international airport, the place lacks modern railway and expressway connections, there is, moreover, a shortage of energy sources, and supplies are insufficient. Although the free inward and outward movement of capital is explicitly stated in law, such movements frequently meet restrictions on the actual capital transfer side. As regards noneconomic factors, such as policies, laws and decrees, there are indeed some special enactments, which clearly declare the long-term constancy of special and general policies, but the concerns of the investors have not yet been radically dispelled.

Production Costs. The labor cost at Shenzhen is relatively low compared with costs in developed countries, also low compared to certain foreign processing areas and to Hong Kong, but this low labor cost is combined in Shenzhen with a relatively low labor quality, which consequently results in a comparatively low wage efficiency. The advantage of a low labor cost is therefore an enticement only where it can be combined with labor-intensive processing and assembly work.

Looking at the supply of raw and semifinished materials, we find that domestic raw and semifinished materials are often in quality and price inferior to foreign supplies, and also frequently involved in exchange rate problems. That is why the raw and semifinished materials needed in the SEZ are mostly supplied from abroad. It shows that the Shenzhen SEZ will hardly be able to do processing at much cheaper cost prices than foreign processing zones or Hong Kong.

Domestic Support. This, in theory, should be all-embracing, but in actual fact there are here also two considerations as to support for the SEZ: One is that although the SEZ is an area of special policies and measures, it has a mixture of two economic systems, a socialist and a capitalist, and it follows a unique pattern of capitalism developing socialism. The enterprises with foreign participation involved here still exploit to a certain extent the workers of the SEZ. For this reason the hinterland can only adopt a policy toward the SEZ that is attuned to the situation: on the one hand to give energetic and widest support, but on the other hand to institute necessary restrictions. The second consideration is that China's national industry is still at a rather backward stage, and its development must be supported by certain protective measures. A policy of effective controls must therefore be imposed with regard to the marketing of products of the SEZ in the hinterland. Favorable treatment in the market must only be accorded to advanced technology products, and the shipment of common products to the hinterland must be restricted.

In summary, it is evident that under current conditions the Shenzhen SEZ is of little attractiveness for foreign capital. If we take profits as criterion in assessing attractiveness, we see that the attractiveness of the Shenzhen SEZ consists merely in being able to maintain the average international profit level of foreign trade and will hardly be able to ensure an abundance of superprofits.

Related to the above-stated problems: Since the Shenzhen SEZ cannot attract huge investments and advanced technologies in sufficient quantity, it would also be extremely difficult to introduce large quantities of products, manufactured at the SEZ's originally available technological level and with the originally available productive forces, into the international market with its fierce competition. This situation is to some extent reflected in the marketing trend of products from the Shenzhen SEZ and in the profit and loss conditions of Chinese-foreign enterprises in recent years (see following table).

1983 Profits and Losses of Chinese-Foreign Enterprises
(Unit: 10,000 yuan RMB)

Industries & Trade	No of Firms	Amount of Profits	Average Rate of Profit (%)
Real Estate	8	2,756	79.2
Tourism & Recreation	8	440	20.9
Commun. & Transport	10	290	16.8
Industrial Enterprises	35	1,027	14.1
Commerce, Foodstuff & Service Industries	42	0.2273	10.7

Industries & Trade	Firms With Profits	Firms With Losses	Losing Firms to Totals (%)
Real Estate	8		
Tourism & Recreation	7	1	13
Commun. & Transport	8	2	20
Industrial Enterprises	27	8	22.8
Commerce, Foodstuff & Service Industries	35	7	16.7

Looking at the profit and loss situation (especially in the industrial sector) and also from the market strategy angle, we see that there cannot be any rapid growth of supply and demand in the Shenzhen SEZ. Under the condition of the only possible situation of low supply and low demand, and without any change in the current industrial structural pattern of low level technology and primarily processing and assembling operations, the development of the SEZ cannot possibly be one of rapid growth and efficiency.

In what direction should the industrial structure of the Shenzhen SEZ then be moving? Will it be able to develop into a primarily technology-intensive and knowledge-intensive industrial structural system? The problems met with currently in the importation of foreign capital have to some extent already given a negative answer. Setting up a new industrial structure in the Shenzhen SEZ must, in fact cannot but, seek a breakthrough point in a contradictory situation, which is: Having the huge market in the hinterland as our backup potential and facing good prospects in the exploitation of the Nanhai oilfield, we still must evoke a strong investment interest among foreign businessmen in the Shenzhen SEZ, which by itself so far still lacks sufficient attractiveness.

After several years of exploration, there are good prospects for the development of the Nanhai oilfield, but commercial exploitation is still quite some time away, so that the establishment of an industrial structural system centered on the Nanhai oilfield may be left to somewhat later consideration. However, the domestic market is present and real. Foreign businessmen go after anything that offers an opportunity to approach the domestic market "like a flock of ducks." It is therefore extremely necessary and appropriate that we regard the market factor as a breakthrough point that must be

considered for the possible establishment of a new industrial structure. However, today, when opening up to the outside world is not limited to the Shenzhen SEZ, when 14 other coastal cities have been opened up, the huge attraction created by the domestic market has been expanded from one point to a large area, and the Shenzhen SEZ has lost its advantage of a monopolistic backing in the hinterland. Following the formation of a belt of opened-up coastal places, the challenge which the Shenzhen SEZ faces has increased from the one from abroad to the current two, namely one from abroad and one from the domestic side. Toward the outside, there is the competition with Hong Kong in closest proximity, and domestically there is the competition with the other 14 opened-up coastal cities. To come out with a clear superiority is not an easy matter. Shenzhen must therefore employ measures that are geared to the actual circumstances in its utilization of the domestic market, must integrate the use of the domestic market with the SEZ's own conditions, and progressively establish an industrial structural system of unique Shenzhen characteristics. Under current conditions, it is tourism and commerce that are the two sectors and trades that can integrate the use of foreign and domestic markets with the promotion of a transformation in the industrial structure of the Shenzhen SEZ.

4. The Position amd Role of Tourism and Commerce in the Industrial Structural Progression

Selecting tourism and commerce for a leading position in the industrial structural progression of the Shenzhen SEZ is based on the following considerations: The lack of a good investment environment and sufficient amounts of investments restricts the establishment and development of newly emerging industrial sectors, especially of technology- and knowledge-intensive industrial sectors. It would therefore also be equally difficult to set up an industrial structural system with these sectors in a leading position. An entire industrial structure that is set up relying mainly on processing and assembly industries cannot possibly achieve a comparatively rapid economic growth, because of its operation at a low level, and the limits of its own competitiveness, and its restrictions in the foreign and domestic markets. The development of tourism and commerce does not require specially advanced technologies and equipment or the expenditure of huge amounts of investments, nor does it require a very high level of science and technology, high quality in its manpower nor specially advanced managerial methods and means. It would only require the integration of the favorable geographical location with the abundant tourist resources, and the development of the necessary communications and transport facilities, to attract foreign tourists, especially the Hong Kong tourists, to travel to the interior, and to induce the consumers of the hinterland to come to the Shenzhen SEZ to increase consumption in the SEZ, to enable the establishment of a tourism that will include a tourism paraphernalia industrial system, a tourist accommodation industrial system, and a tourist service industrial system, and to establish a commercial structural system. Allowing these two systems, tourism and commerce, to play the leading role in the industrial structural progression will enable the accumulation of much capital, especially foreign exchange, for the development of the Shenzhen SEZ, and will provide the material basis for the transition to a new industrial structure.

There are good preconditions for the development of a tourist industry in Shenzhen; its beautiful natural environment and unique geographical location provide broad possibilities for the development of tourism in Shenzhen. In recent years, Shenzhen's tourism has grown up from nothing, points of tourist attraction and tourist facilities have been continuously increased, and the growing number of tourists testify to Shenzhen's superiority.

Of course, the development of tourism and commerce in Shenzhen are not without their limits. Developed to a certain dimension with no further possibility of creating a higher profitability, or to gain more profits, the funds accumulated by these two sectors would have to be invested in new industrial sectors and absorbed by sectors of higher technological levels and higher profitability, effecting in that way a transition in the industrial structure.

5. Transition from the Industrial Structure of Tourism and Commerce to One of Newly emerging Industries

When the tourist industry and commerce shall have been developed to a certain limit, it will become impossible to obtain a higher profit rate, and capital accumulations will also have reached a certain scope. The infrastructure of the entire economic development will have been spurred on to greater perfection and greater efficiency by the tourist industry and by commerce. Good prospects in the exploitation of the Nanhai oilfield will exercise growing attraction with each passing day, so that the funds accumulated in the Shenzhen SEZ and the investments from abroad could possibly be diverted toward investments in new oil-related industries, which could then progressively replace tourism and commerce in their leading position in the industrial structure and form a new industrial structural system with the petrochemical industry in dominant position.

The exploratory drilling in the Nanhai oilfield has up to now made comparatively satisfactory progress, and it is hoped that when the industrial structure of tourism and commerce will progressively decline, a new situation will emerge, led by a new industrial structure, and leading toward a smooth continuation in the shift of the industrial structure. The possible factors in this development are: With the further intensive exploration of the Nanhai oilfield, Shenzhen's tourism and commerce will enter a stage of further development, and as the future prospects in the Nanhai explorations brighten, Shenzhen's tourism and commerce will reach their zenith and show greatest profitability. As profits will have reached their greatest height, further investments in these two sectors may show progressively lower interest rates. At that time, new investments and reinvestments of interests may be diverted for investment in Nanhai oil-related items that will show vitality, and will in this way form an industrial structural system with the petrochemical industry in leading position.

Once the industrial structure is transformed from one with tourism and commerce in the leading position to one with the petrochemical industry in the leading position, the following will be the situation that will evolve in Shenzhen's new industrial structural system: The petrochemical industry will cause industries and trades to emerge that will supply it with raw and semifinished materials, equipment and services, forming a subsidiary system of

logistics industries in the rear. It will promote other industries and trades, for which the petrochemical industry will be supply sector, to form a subsidiary system of industries up in front. Of the former type, there will be mechanical and electrical machinery, transportation, service, and electronics industries. Of the latter type, there will be chemical fertilizer, automobile, warehousing and storage industries, all mutually linked, mutually conditioning, and mutually in a cause-and-effect relationship. This industrial linkage will, furthermore, not be limited to the SEZ itself, but will in the future extend to a broader field, including Hong Kong, Guangzhou and other places.

6. General Trend of the Industrial Structural Progression

The industrial structural progression is a process that is led on by the dominant sector, spurs on developments in other sectors and unceasingly progresses. Its trend is bound to be a transition from a low-level to a high-level industrial structural system. As to the Shenzhen SEZ, we may simply divide the trend of its industrial structural progression as follows:

(1) The stage of a combined agricultural industry and plantation industry without industrial base. This was the stage prior to the establishment of the SEZ. Its characteristics were: an extremely weak economic foundation, a narrow market, no diversification of products, lack of general conditions and motivation for economic development.

(2) The stage of an industrial structure with real estate as the main industry, but concurrently engaged in small-scale industries, agriculture, tourism, commerce and transportation in a loosely scattered pattern. The Shenzhen SEZ was at this stage in its initial period. Its characteristics are: a fairly prosperous state of the real estate industry, yielding abundant profits and providing most income for the SEZ, but correspondingly backward in all other branches of industry. However, the entire structure itself lacked an organic integration, its industries being without the machinery for a coordinated development. Its economic development is in a state of unstable, unbalanced growth. with some sectors most outstanding and certain other sectors very backward.

(3) The stage of a mixed industrial structure, in which tourism and commerce are in the foremost position, but with the concurrent operation of processing and assembly work, agriculture, transportation and the real estate industry. The Shenzhen SEZ's current stage can be said to belong to this stage. Its characteristics are: the tourist industry is a subsidiary in this stage of a fairly complete system of all the various elements, which are linked among each other by a very distinctly developed correlation and coordination, but the tourist industry and commerce lacking an organic linkage with the other industries, and the technological level of all industries staying at a comparatively low level. Although the economic strength has greatly increased, this structure still lacks the conditions and machinery for an overall accelerated growth.

(4) The stage of an industrial structure in which tourism and commerce are progressively developing to maturity and constitute the main industrial

sector. Its characteristics are: tourism and commerce progress in great strides, taking an ever increasing share in the gross output value of industry and agriculture, gradually getting to form the dominant sector, also having the machinery to spur on developments in the other sectors and trades, furthermore capable of linking up with the developments in the other sectors. There is mutual coordination, with a fairly stable growth rate in all sectors, and a comparatively high level of technology and high quality of manpower. There is a constant increase in economic strength, a rapid rise in the rate of accumulation and a continuous expansion of markets.

(5) The stage of a mature pattern of an industrial structure in which the petrochemical industry is dominant. This is the direction of the industrial structural progression in the Shenzhen SEZ, a stage in which a turning point of a breakthrough nature will occur in the economy of the SEZ. Its characteristics will be: A petrochemical industry in rapid development and, with high profitability, will be in the lead and spur on the overall development in related industries. Advanced technologies will begin to be used on a large scale, profits and accumulations will increase by leaps and bounds, and markets will greatly expand. The leading sector will not only spur on the developments in sectors that supply its requirements, but will also be able to promote development in industries that are receiving supplies from it. There will be an industrial structural system with machinery for overall and fullest coordination, created by mutual linkages. There will be advances in an orderly and harmonious way, which will promote an overall social and economic upsurge throughout the entire SEZ.

(6) At the time when exploitation and utilization of the oil resource will gradually wither and profitability decline, the capital and new investments may be shifted to newly emerging industries which had started employing new technologies and are showing good profitability, and in this way will form a new industrial structural system. When this system will start to show signs of decline, another new industrial structure will emerge in replacement of the former. In this progression there will be uninterrupted advance.

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LABOR AND WAGES

TIAN JIYUN ON WAGE REFORM

Hong Kong CHING PAO [THE MIRROR] in Chinese No 2, 5 Feb 86 pp 26-28

[Article by Yu Ying [0205 5391]]

[Text] In early January, Vice Premier Tian Jiyun [3944 4754 0061] delivered a report on the economic situation and the restructuring of the economic system in China at a meeting at Beijing's Great Hall of the People attended by 8,000 cadres from CPC organizations. Some Hong Kong newspapers carried the full text of the report, a lengthy speech which dealt with, among other things, an issue of widespread concern--wage and price reform. Tian Jiyun claimed to be expressing only "his own opinions and understanding," but sharp-eyed people realize at once that it was an authoritative statement examined and approved by Deng Xiaoping, Hu Yaobang, Zhao Ziyang and the heads of the Financial and Economic Leading Group of the central government, Chen Yun and Li Xiannian.

Tian Jiyun Heads an Investigation Team To Study Reform

With the exception of one overseas trip which attracted considerable attention, Tian Jiyun spent the entire winter after the close of the CPC National Party Congress last fall mostly away from the political stage, which prompted some to conclude, mistakenly, that a "rising star has suddenly fallen."

In reality, since Beijing University students staged an anti-Japanese demonstration on "18 September" and perhaps even as early as the Chinese-Hong Kong soccer match disturbances in Beijing on "19 May," there have been signs of public dissatisfaction with the changes and pressures in daily life caused by wage and price reform. As anti-Japanese agitation spread to many large and medium-sized cities across the nation, the dissatisfaction intensified. Tian Jiyun, who oversees urban economic reform for the State Council, might declare that "price adjustment was implemented only after careful planning. The measures are appropriate and no drastic repercussions have resulted. The reform is a success." At the urging of leaders on the CPC Central Committee, however, he had no choice but to put together a team and visit several cities of varying sizes to study the impact and consequences of the reforms in depth. It is this large-scale and lengthy study, rather than the above-mentioned report, which explains Tian Jiyun's reentry into Beijing's political arena.

"Public Office As A Way To Make Money"

Wage reform has been under consideration in China for a long time. A host of reform schemes have been the subject of speculation since the "Cultural Revolution." When the leftists were at the peak of their power, "bourgeois rights" and the "eight-tier wage system" repeatedly came under fire and an ultra-egalitarian "supply system" was put forward which would have abolished currencies and commodities. The latest effort at wage reform, for which Tian Jiyun is directly responsible, has been the most popular conversation topic among 100 million urban workers since 1984.

When it was founded, new China copied the Soviet system. Over the years, this system has become more and more ridden with ailments. In every trade and industry, the wage scale was fragmented into too many levels; there were 28 grades of cadres alone. The power to raise wages was centralized in the hands of the central government; all localities, enterprises and organizations had no autonomy in this area. Rarely were wages adjusted and then only to ameliorate the gross weaknesses in the system. Wage adjustments, moreover, took no account of individual circumstances and sought to impose uniform percentages. Since whether or not a worker was given a pay raise depended on his performance, this led to much competition and a failure to compromise among workers. The upshot was all manner of conflict and estrangements.

The latest wage reform tried to cut the Gordian knot. First, a "structural wage system" whose centerpiece is functional wage was adopted in state organs and institutional units. Specifically, besides the 40 yuan basic wage and seniority wage calculated on the basis of 50 fen per year (not to exceed 20 yuan), the major component of a worker's wage is the functional wage. The president, vice president and premier of the PRC occupy the highest rank and are each paid a functional wage of 480 yuan. They are followed by the vice premiers, vice chairmen of the standing committee of the National People's Congress, vice chairmen of the Chinese People's Political Consultative Conference [CPPCC], ministers, vice ministers, department and bureau directors, deputy department and bureau directors, section directors, deputy section directors, office directors, deputy office directors, office members, office workers and so on. An office worker of the lowest rank earns 24 yuan in functional wage, equivalent to one-twentieth of the highest functional wage.

The initial response to the wage reform plan was rather critical as it only spelled out the functional wages of various levels of administrative officials and was totally silent on those of professionals in the intellectual circles, including science and technology, academia, engineering, arts and the media. Although the wages of researchers, professors, lecturers and engineers were pegged to those of cadres below the ministerial level, most in effect ended up with just their existing wage plus seniority wage. Yet in terms of their public contributions, some experts, scholars and artists exercise a far more significant impact on society. In the West, countless scholars and experts earn much more than heads of state. That was true even for China before the "Cultural Revolution." The latest move to elevate dramatically the wages of top party, government and military leaders is tantamount to abandoning the

"Paris Commune" concept of the "public servant" and replacing it with the idea of the "public master."

As China moves to build up a generation of young leading cadres, administrative officials at all levels are now basically selected from among young cadres in the more junior ranks. Clearly they are the people who benefit most from the new wage reform plan. On the other hand, intellectuals and managerial personnel in general do not hold concurrent official posts. As far as they are concerned, wage adjustment mean only a marginal pay increase. In recent years, China has declared time and again its "high regard for knowledge" and "intellectuals." The wage reform scheme, which makes wages dependent on one's official rank, has given the lie to its declarations and, on the contrary, turned public office into a way to make money.

Fine-tuning the Reform Plan To Silence Criticisms

The wholesale wage adjustment was originally scheduled to take effect last July, but because of complicated circumstances in the various units and the fact that the formulation of a new wage plan is a time-consuming process, actual implementation was put off. To show its concern for the "engineer of the human soul"--the teacher, the CPC Central Committee specially ruled that new wages must be paid to teachers before Teachers' Day on 10 September and granted them a teaching seniority wage computed on the basis of 1 yuan a year. This is in addition to the regular seniority wage.

The wage reform resulted in the abolition of all existing wage levels, bonuses and floating wages and in a negligible increase in the real wages of most wage earners. Because of a lack of expertise or research ability, a number of middle-aged and young teachers at some universities have given up teaching to become administrative cadres and actually ended up with much higher earnings thanks to their new official ranks. The same phenomenon has occurred in scientific research units, professional organizations and elementary and high schools. When learned and well qualified professionals saw what was happening, they naturally felt a profound sense of injustice. In Beijing, many new and academically accomplished university teachers have successively been promoted associate professor or lecturer. As in the past, this type of promotion only influences one's teaching or research standing but carries no monetary reward. Nowadays, only people who are promoted into the various university, departmental or party committee offices as officials can expect an appreciable rise in wages, effectively sowing the seeds of discord between university teachers and administrators, on the one hand, and managerial cadres, on the other. Some university teachers in Beijing even briefly refused to accept the new wages.

The latest wage reform provides that nobody's wage would be cut. As the existing wages of some elderly members of the CPPCC and retired cadres exceed the maximum allowed their ranks under the new scheme, the government issued a special circular retaining their old wages. To the elderly folks, this move smacked of the "buying-out policy" adopted toward the holdovers in the early years of the PRC. How could they, who risked the deadliest of dangers for the country for many years, put up with it? An uproar ensued which died down only when the authorities concerned made provision for special wages.

A number of "trends" have come and gone in China in recent years. In the past, there was disdain for people who worked as officials; it was considered a "thankless" job. Now everybody scrambles to get on the official bandwagon as a way to make money. Also, a number of elderly leaders and cadres about to retire are only too glad to do their subordinates, friends and relatives a favor by promoting them or placing them in an official job. Some have even proposed that their department or unit be upgraded so that everybody would get a wage increase. For a time departmental "upgrading" and cadre promotion became all the rage, prompting the central government to issue a circular imposing strict restrictions. In addition, the government also acted to limit the amount of additional pay new cadres at various levels could receive during the first year: office director and below, 20 yuan per month; departmental or bureau director, 30 yuan; minister and above, 40 yuan. Only after July will they be paid in full. Although these measures only temporarily bridged the earnings gap, they did mollify a number of critics. As for the wages of enterprise workers, the government decided to increase bonuses (to an amount equivalent to 4 months' wages instead of the original 2 1/2) to achieve some sort of a balance.

Reasonable Remedial Measures to Perfect The System

As Tian Jiyun said in the report, the old system was extremely irrational and ridden with problems: "labor was divorced from compensation, and duties bore no relationship to rank." The new system achieves "the ranking of administrative duties" and brings about a more logical relationship between labor and compensation, but "imperfections remain." Tian Jiyun said, "We should focus on these two priorities this year: getting rid of whatever does not make sense and establishing a sound ranking of technical duties."

Wage reform is a vital policy that affects the people's basic interests, so there is no excuse for the kind of glaring weaknesses it suffers from. Also, China being a vast country where the levels of economic, educational and scientific development vary tremendously from region to region, there is a danger that wage reform may err by overemphasizing centralization and uniformity. Of course, if we look at the direction of reform, we see that the reform is still a historic advance. It is not my intention to be a cheerleader for leftists and conservatives. I only hope that reformers, in addition to being men of action, also have the statesman's vision, brilliant thinking and ability to control the overall situation.

Reports suggest that experiments in the ranking of technical functions have been carried out since last summer in a number of selected departments. In the media alone, units like the Xinhua News Agency, RENMIN RIBAO, JINGJI RIBAO and Central Radio have been ranking their news-gathering and editorial personnel as assistant reporters, reporters, chief reporters, senior reporters, assistant editors, editors, chief editors and senior editors, corresponding to cadres at the office, section, departmental, bureau and ministerial levels in terms of functions and wages. Other departments, such as those in scientific research, culture, education, arts and public health, are also in the midst of pilot projects and studies in order to formulate plans to remedy the weaknesses of the wage system.

It can be said that the success or failure of wage reform hinges on our ability to fashion a strict, sound system that will remain effective for a long time to come and enjoy popular support among the people.

As the person in charge of wage reform, Tian Jiyun carries a heavy responsibility.

Clearly 1986 is going to be a critical year.

12581
CSO: 4006/781

POPULATION

BRIEFS

LIAONING FAMILY PLANNING--During the 6th 5-Year Plan period, 2.563 million babies were born in Liaoning Province, 780,000 fewer than planned. During these 5 years, the province's net population increase was 1.981 million. The total population grew from 34.869 million in 1980 to 36.85 million in 1985. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 Feb 86 SK] /9599

CSO: 4006/826 - END -

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China Report

ECONOMIC AFFAIRS

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SICHUAN SMALL TOWNS PROMOTE RURAL ECONOMIC REFORM

HK0608[illegible] Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Text] In the wake of development of the rural commodity economy, a number of rationally structured small towns have taken shape and developed in the province.

Over the past two years, the small towns raised a construction fund of 1.8 billion yuan. They built over 110 million square meters of public buildings; over 3 million square meters of residential buildings; over 15 million square meters of streets; over 500,000 square meters of markets; and 829 water taps. A large number of small towns linked to both urban and rural areas have been rapidly developed. They play a more important role in promoting rural economic development, in readjusting the industrial structure, and in building the two civilizations.

The key that the province's small towns can rapidly develop rests with reforms. In the course of building and developing small towns, all localities also adopt manifold methods to encourage and promote peasants to engage in their businesses.

In the last 2 years, over 100,000 households, or some 400,000 peasants, entered the small towns, made their own eating arrangements and engaged in industry, commerce and the service industries. They raised some 1 billion yuan of funds and built over 10 million square meters of shops, houses, residential buildings and so on.

Recently, provincial and various local authorities in charge of village and town construction acted in the light of local conditions and formulated measures for acting in the spirit of the 1986 Central Document No. 1. They decided to grasp well other tasks of supporting reforms and develop new contents of reforms while consolidating, assimilating and augmenting the achievements made, so as to further expedite the province's pace of urban construction.

/12712
CSO: 4006/834

PROVINCIAL AFFAIRS

BRIEFS

PEOPLE'S CONGRESS HOLDS MEETING--The fifth session of the sixth provincial People's Congress held its second plenary meeting today. Executive chairmen of the meeting were Gu Jingxin, Deng Zhongru, (Jiang Jindong), (Jiang Dekui), (Fan Xinran), (Jiang Lianjie), (Qu Xiaofan), (Liu Zhenfan), Yang Chiyin, (Yu Hongcai), (Guo Fenglan), (Zhu Wei), (Feng Guangsan), (Gao Fengzhu), and (Huang Renmin). All members participating in the fifth session of the fifth provincial CPPCC Committee attended the meeting as observers. Zhang Tiejun, vice chairman of the provincial People's Congress Standing Committee, presided over the meeting. At the meeting, the people's deputies listened to the report by Zhu Jiazhen, vice governor of the province and concurrently chairman of the provincial Planning and Economic Commission, on the implementation of the 1985 economic and social development plan and on the arrangements for the 1986 plan; and the report by (Gao Chenghe), deputy director of the provincial Financial Department, on the 1985 provincial final accounts and the 1986 budget. The fifth session of the sixth provincial People's Congress and the fifth session of the fifth provincial CPPCC Committee held panel discussions respectively this afternoon. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 13 Mar 86 SK] /12712

CSO: 4006/834

ECONOMIC DEVELOPMENT ZONES

BRIEFS

FOREIGN CAPITAL TO GUANGZHOU--Since Guangzhou started to use foreign capital 6 years ago, 282 foreign investment projects in the forms of joint ventures, cooperation, and compensation trade have been signed, 14,360 contracts on processing and assembling imported materials have been signed, a total of $920 million in foreign funds have been used, and over 500 pieces of advanced equipment and 108 production lines have been imported by industrial and communications departments. By using foreign capital, Guangzhou made achievements mainly in the following three areas: (1) It has imported advanced technology, advanced equipment, and improved varieties and breeds. Among the advanced production lines imported by Guangzhou, containers, polyurethane artificial leather, electronic watches, refrigerators, soft-packed beverages, and small calculators were the first of their kind in China when they were imported, thus filling certain gaps. Textile processing equipment, beer, elevator manufacturing, and light automobile production lines have helped tranform a number of old enterprises. Mechanized chicken farms have produced large amounts of chicken meat and fresh eggs. The technique used in scientific breeding of high-quality edible fish has reached advanced 1980's standards. (2) It has accelerated the development of tertiary industries, especially tourism, built and remodeled a number of guesthouses and hotels, and imported over 4,000 taxicabs to alleviate the "transportation shortage." (3) It has imported scientific management methods, trained personnel, and raised the level of enterprise management. Since 1982, a total of 1,038 groups consisting of 5,600 people have been sent to the Hong Kong and Macao area and other countries to carry out investigation and learn advanced management methods. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 2] 12302

OPEN CITY INVESTMENT INCREASED--According to the latest information of the State Statistical Bureau, in the first half of 1985, China's 14 coastal open cities absorbed foreign investment for 384 projects, an increase of 309 over the corresponding period of 1984. Foreign businessmen agreed on investing $670 million, a 5.9-fold-increase over the corresponding period of 1984. As of today, foreign businessmen have actually invested $120 million. It is reported that businessmen who signed agreements with these open cities came from the following 13 countries and regions: Singapore, Thailand, the Philippines, Japan, the United States, Canada, Australia, France, Italy, Switzerland, Finland, Hong Kong, and Macao. Guangzhou, Shanghai, Tianjin, and Dalian, where the investment environment and basic facilities are good, are far ahead of other 10 cities in regard to projects using foreign investment and the scale of joint ventures. In the first half of 1985, Guangzhou signed new agreements with foreign businessmen on 112 direct investment projects, an increase of 130 [as published] over the corresponding period of 1984; foreign businessmen agreed on investing $240 million, a 12.3-fold-increase over the corresponding period of 1984. In the first half of 1985, Shanghai signed new agreements with foreign businessmen on 40 direct investment projects, an increase of 33 over the corresponding period of 1984; foreign businessmen agreed on investing $230 million, a 69-fold increase over the corresponding period of 1984. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 3] 12302

CSO: 4006/125

ECONOMIC PLANNING

SHANDONG GOVERNOR SPEAKS ON PLANNING, ECONOMIC WORK

SK160532 Jinan Shandong Provoncial Service in Mandarin 2300 GMT 8 Mar 86

[Text] At the provincial conference on planning and economic work, foreign economic relations and trade, and political and ideological work of enterprises, Li Changan, deputy secretary of the provincial CPC Committee and provincial governor, pointed out: This year the major task in provincial economic work is to comprehensively impelement the general guiding ideology defined by the central organs, vigorously improve macroeconomic control, increase the gross social supply, and constantly increase economic results in order to maintain an appropriate growth rate of industrial and agricultural production.

The provincial conference on planning and economic work, foreign economic relations and trade, and political and ideological work of enterprises opened on 7 March at the Jinan Nanjiao Guesthouse. On 8 March, at the conference, Li Changan, deputy secretary of the provincial CPC Committee and provincial governor, delivered a speech on upholding the reform and open policy and promoting the sustained, stable, and coordinated development of the provincial economy. His speech incuded six parts: 1) On the current economic situation and tasks; 2) on control of investment in fixed assets and readjustment of the investment structure; 3) on revitalization of enterprises and improvment of enterprise quality; 4) on development of foreign economic relations and trade; 5) on development of lateral economic cooperations; and 6) on the strengthening and improvement of leadership over economic work.

With regard to the control of investment in fixed assets and the readjustment of the investment structure, Governor Li Changan said: This is a conspicuous problem that needs to be solved in developing the provincial economic work. If we fail to strictly control the scale of investment, we will be unable to control the gross demand and improve the gross supply. He said: During the Seventh 5-Year Plan period, the state will build relatively more large and medium-sized construction projects in our province, most of these undertakings being energy resources, communications, and raw materials industrial projects. These projects will not only have an important bearing on the national economic development in the 1990's, but will also have a direct bearing on the reserve strength of the provincial economic development in the future. Ensuring the completion and availability of these projects and their results on schedule is our bounden duty to our country as well as an actual practice for vitalizing Shandong Province and making the people prosperious.

Therefore, this year, in utilizing the investment earmarked for capital construction and technological transformation, we should strive to reduce investment in non-productive projects and spend the limited funds on the much-needed productive projects, and reduce the investment in the processing projects of a general nature and make more investment in agriculture and the energy, communications, and raw materials industries. In particular, we should try every possible means to increase the investment in farmland water conservancy projects, secondary energy resources projects, road construction, and postal, telecommunications, and communications projects. In addition, we should control the production of goods which are in full or excessive supply and develop the production of goods which are in short supply, and should control the investment in capital construction and appropriately increase the investment in technological transformation projects.

Referring to vitalizing enterprises and improving the quality of enterprises, Governor Li Changan stressed: The key to expanding reproduction chiefly by intensive means lies in vitalizing enterprises and improving the quality of enterprises. This year, in addition to continually allowing flexibility to and revitalizing collective-run and state-run small enterprises, we should make a breakthrough in revitalizing large and medium-sized enterprises and in strengthening and improving management and operation of such enterprises.

Governor Li Changan pointed out: In further vitalizing large and medium-sized enterprises, the most important thing is to delegate more decision-making powers to such enterprises, and create conditions for them to strengthen the ability to conduct self-improvement and self-development. Speaking of the revitalization of enteprises, Governor Li Chang also pointed out: Mobilizing and protecting the initiative of cadres, workers, and staff members in carrying out reform is a new task facing us in further vitalizing enterprises. At present, an incisive issue is to correctly approach and properly handle the new situations and new contradictions cropping up in the course of reform. Under no circumstances should we dampen the initiative which has already been aroused.

Regarding the development of foreign economic relations and trade, Governor Li Changan stressed: Dovleoping foreign economic relations and trade is a major matter bearing on the overall situation of the national economy. This year, we should strive for a relatively big increase in the export of local products and in foriegn exchange. To fulfill the task for this year, we must strengthen the cooperation and integration between industry and trade, between agriculture and trade, between technology and trade, and between foreign and domestic trade, and encourage the people to develop foreign trade. Meanwhile, we should establish the export production system. This is a strategic measure for increasing sources of goods for export and strengthening the capacity for earning foreign exchange. In the course of developing foreign trade, we must pay attention to fully mobilizing the initiative of producers, dealers, and local governments, and adopt a number of new policies to encourage exports.

Speaking of the development of lateral economic cooperation, Governor Li Changan said: Developing lateral economic cooperation is a new matter emerging in the course of carrrying out reform, opening to the outside world, and onlivening the economy, which reflects the objective demand of economic

development. Governor Li Changan said: In developing lateral economic cooperation, we must give play to the central role of cities, and vigorously remove barriers between different departments or regions to establish rational cooperation and economic structure for each department or region in order to penetratingly develop the economic reform. This year lateral economic cooperation should be aimed at promoting the integration of different enterprises and at developing various forms of integration, focusing on increasing the number of quality and top-brand products, with key enterprises as the leader. At the same time, we should encourage various scientific research units, universities, and colleges to establish connections and cooperate with various production units; organize cooperation between eastern and western provinces in the fields of funds, technologies, and natural resources; encourage poverty-stricken [word indistinct] each other; and strengthen the economic and technological exchange with fraternal provinces and cities.

Referring to strengthening and improving the ownership over economic work, Governor Li Changan stressed: The focus should be placed on rectifying the work style of the party and government organs, solving bureaucratism, and correctly handling the relationships between planned guidance and market regulation. In improving the leadership over economic work, we should also adhere to the principle of grasping the socialist, spiritual, and material civilizations simultaneously, and actually strengthen the ideological and political work.

/12913
CSO: 4006/850

ECONOMIC PLANNING

SHANDONG HOLDS MEETINGS ON PLANNING, ECONOMY

SK140425 Jinan Shandong Provincial Service in Mandarin 2300 GMT 13 Mar 86

[Text] The provincial meetings on planning, economic work, foreign economic relations and trade, and enterprise political and ideological work, which were held jointly at Jinan's Nanjiao Guesthouse from 7 Mar, concluded on 13 March. Attending were various city and prefectural mayors and commissioners; directors of planning commissions, economic commissions, foreign relations and trade commissions, and departments in charge of enterprises of cities and prefectures; responsible comrades of various provincial departments, committees, sections, bureaus, and offices; and responsible comrades of enterprises concerned.

Li Changan, deputy secretary of the provincial CPC Committee and governor; Yang Xingfu, Standing Committee member of the provincial CPC Committee and director of its department in charge of political and ideological work of enterprises; and Ma Shizhong, vice governor, spoke at the meetings.

The four meetings, which were held jointly, all discussed and formulated their work plans by focusing on reforms, opening to the outside world, and promoting sustained, stable, and coordinated economic development.

The meetings noted: In 1986 we should give priority to reforms, management, technological progress, and overall improvement of economic results. We should chiefly rely on science and technology, the potential that enterprises should tap, and lateral contacts, and should maintain a proper growth rate.

The meetings emphasized: This year the province should continue to strengthen agriculture, which is a foundation; do a good job in energy and communications construction; greatly develop the production of consumer goods; make good arrangements for urban and rural markets; and conscientiously keep the commodity prices basically stable. It should achieve better results in increasing revenues and reducing expenditures, expand exports to earn more foreign exchange, continuously strengthen and improve macroeconomic control and management, bring the scope of fixed assets investment under strict control, and guarantee a sustained, stable, and coordinated development of the economy.

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CSO: 4006/850

ECONOMIC PLANNING

HAINAN CPC DEPUTY SECRETARY ON PLANNING WORK

HK140852 Haikou Hainan Island Service in Mandarin 0400 GMT 10 Mar 86

[Excerpts] The regional planning work conference was held from 4 to 7 March at the state-run (Dongxu) Farm. The conference made clear the guiding thought about this year's planning work; namely, to persist in the principle of opening up to the outside world and enlivening the domestic economy, to persist in reform, to strengthen macroeconomic control, to raise economic efficiency and upgrade social benefits, and to strive for continuous, steady, and coordinated economic development in the region.

The conference relayed the instructions given by Comrades Zhao Ziyang, Hu Qili, and Tian Jiyun when inspecting Hainan during the Spring Festival. It relayed the spirit of the national planning work conference, summed up the implementation of the region's plan last year, and discussed and formulated this year's plan for economic and social development in the region.

Comrade Meng Qingping, deputy secretary of the regional CPC Committee and principal responsible person of the regional people's government, attended the conference and delivered a speech. He spoke about six problems: 1) The guiding idea for formulating the plan; 2) the problem on the development of [words indistinct]; 3) the size of fixed assets investment; 4) on foreign economic relations and foreign trade; 5) strengthening research on major construction projects in the Seventh 5-Year Plan; 6) strengthening planning work.

Meng Qingping said that in formulating the Seventh 5-Year Plan and this year's plan, the region must adhere to the guiding idea of stimulating the exploitation of the region by opening up to the outside world. The region must do its utmost to combine the import of advanced technology with internal economic associations, make great efforts to earn more foreign exchange, concentrate its efforts on fundamental construction, speed up the improvement of the investment environment, and take the road of comprehensive development, simultaneous invigoration, and opening up to the outside world in an all-round way.

Meng Qingping said: If we describe the guiding thought and principle for developing and building Hainan in a figurative way, then talented people and information are Hainan's brain; tropical crops are Hainan's body; marine products and tourism are Hainan's two arms; and communications and energy are

Hainan's two legs. We must lose no time in reforming old enterprises and giving full play to the region's superiorities in petroleum, natural gas, and the mining industry. Based on local conditions, we must develop town and township enterprises, vigorously develop the breeding and processing industries to get rid of poverty and become rich, and implement the policy of making people rich. Formulating the Seventh 5-Year Plan and this year's plan for the region in accordance with this principle will give us new vitality. We must persist in the open policy and reform, continue to exploit Hainan in a down-to-earth manner, and strive to build a new socialist economic system with Hainan characteristics in five years or so.

Meng Qingping said that the region overfulfilled last year's export volume target by 47.3 percent and signed 29 contracts with foreign businessmen. Of the investment amount of $137 million stipulated in the contracts, $58.59 million was directly invested by foreign businessmen. This year governments at all levels must continue to put foreign economic relations and foreign trade high on their agenda and vigorously expand the export business and earn more foreign exchange. To fulfill this task, planning departments must adopt a series of encouraging policies and measures:

1. They must firmly grasp building a system for producing export commodities.

2. They must set up bases and factories for producing export commodities.

3. They must carry out work differently from enterprises whose products are for the domestic market, in such areas as economic examination targets, the price system, the portion of foreign exchange retained, and the reward methods.

4. The economic interest of bases producing export commodities must be linked with their ability to earn foreign exchange. The after-tax profits retained by them, the wages of staff members and workers, and bonuses and welfare in these bases can be higher than those in the same type of enterprises whose products are for the domestic market. They must be given priority and guarantees in the supply of energy, raw materials, and transportation means.

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CSO: 4006/850

AGGREGATE ECONOMIC DATA

GUANGXI RELEASES 1985 ECONOMIC STATISTICS

HK210157 Nanning Guangxi Regional Service in Mandarin 1100 GMT 20 Mar 86

[Excerpts] The Guangxi Regional Statistics Bureau announced the region's 1985 national economic and social development statistics on 17 March.

According to initial statistics, total social output value last year was 32.066 billion yuan, an increase of 13.33 percent over 1984. Total industrial and agricultural output value was 25.274 billion yuan, an increase of 12.93 percent. National income was 15.524 billion yuan, a rise of 10.32 percent.

Most of the main targets for the Sixth 5-Year Plan were fulfilled or overfulfilled. As production developed, the markets prospered, the financial situation took a turn for the better, people's incomes increased, and there were new developments in various social undertakings. The building of socialist spiritual civilization was stepped up.

However, amid the development of the region's national economy, total social demand exceeded supply. This was shown in the following ways: Social purchasing power exceeded commodity supplies; there was a considerable rise in nonstaple food prices; there were notable contradictions between supply and demand of raw materials; and population growth was still too rapid.

The 10-part communique of the regional statistics bureau deals with the performance in agriculture, industry, investment in fixed assets, communications, posts and telecommunications, domestic commerce and material supply and marketing, foreign trade and tourism, science, education, culture, public health, and sports, living standards, and population.

In agriculture, total output value last year was up by 20.93 percent over 1984. There was a comparatively big change in the cropping pattern. Grain production declined, but output of the major industrial crops rose. Sugarcane output was a record. Forestry showed great development. Fisheries production also increased.

In industry, total output value rose by 18.92 percent over 1984. The year's production plans were fulfilled or overfulfilled for 55 out of 72 major products. The pace of light industry speeded up, while heavy industry recorded relatively rapid development. There was considerable improvement in economic results.

Investment in fixed assets in the region last year rose by 40 percent compared with 1984. Key construction was stepped up. The building industry recorded new development amid the reforms.

Passenger and freight transport turnround increased compared with 1984, but the number of road and waterway accidents increased.

The region achieved a new record in exports last year. Foreign exchange income from tourism increased by 57 percent over 1984.

Urban and rural living standards continued to improve. Average net peasant income last year was 303 yuan. After allowing for inflation, their real income rose by 3.76 percent. The real income of urban inhabitants also rose by 3 to 4 percent.

Urban and rural savings deposits continued to rise last year and totalled 3.422 billion yuan at yearend, an increase of 41.97 percent compared with the end of 1984.

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CSO: 4006/850

AGGREGATE ECONOMIC DATA

NEI MONGGOL COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK191207 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 18 Mar 86

[Text] On 8 March, the regional Statistical Bureau released the statistical communique on 1985 economic and social development. The statistical communique points out: In 1985, under the leadership of the regional CPC Committee and the People's Government, the people of all nationalities throughout the region conscientiously implemented the principle for economic construction, namely, invigorating the domestic economy and opening up to the outside world; and comprehensively carried out the reform of the entire economic structure, focusing on the urban economy, thus bringing about a good situation in which the provincial economy developed in a sustained, steady, and coordinated manner. The 1985 total social product, the national income, and the gross industrial and agricultural output value increased by 15.8 percent, 14.3 percent, and 14 percent over the previous year, respectively. Meanwhile, all targets set by the Sixth 5-Year Plan were fulfilled. On the basis of developing production, market sales were brisk, reveue and expenditure increased, living standards of the urban and rural population improved, and new progress was made in scientific, technological, educational, cultural, public health, sports, and various other undertakings.

The statistical communique points out that the major problems in the region's economic development are: There is still a strain on transport and the supply of energy and raw materials; the production set-up needs to be further readjusted; investment in fixed assets is still too excessive; people's purchases exceed the supplied volume of commodities; and the price hikes are too large.

The statistical communique also specifically explains the issues in 10 fields, namely: Agriculture; animal husbandry; industry; investment in fixed assets and the building industry; transportation, posts, and telecommunications; domestic trade; foreign trade and tourism; science, technology, education, culture, public health, and sports; living standards; and population.

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CSO: 4006/850

AGGREGATE ECONOMIC DATA

GUANGDONG STATISTICS SHOW ECONOMIC GROWTH

OW222033 Beijing XINHUA in English 1837 GMT 22 Mar 86

[Text] Guangzhou, 22 Mar (XINHUA)--Almost all major economic index of Guangdong Province increased at two digital numbers in 1985 over 1984, according to official statistics released today. [sentence as received]

The total industrial and agricultural output value came to 69.1 billion yuan, an increase of 25.5 and 12 percent, respectively, said the provincial statistical bureau.

Guangdong and Fujian are the first two provinces to pioneer the open policy, which gives preferential treatment to investors.

Shenzhen Special Economic Zone used 220 million U.S. dollars of Hong Kong, Macao and Hong Kong [as received] funds, up 5.6 percent over the 1984 figure. Its industrial output value came to 2.33 billion yuan, up 56.4 percent.

Capital construction projects completed in Zhuhai and Shantou special economic zones last year cost 810 million yuan and 110 million yuan, respectively. The increase was 125 and 143 percent.

Exports last year amounted to nearly 2.9 billion U.S. dollars, an increase of 15.7 percent.

Some 12,000 contracts involving use of 2.34 billion U.S. dollars of foreign funds were signed by Guangdong Province, the bureau reported.

The province received 16.7 million visitors and tourists from Hong Kong, Macao and foreign countries last year.

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON MAJOR PRODUCTS OUTPUT

OW251104 Beijing XINHUA in English 1008 GMT 25 Mar 86

["Facts and Figures (3): Output of China's Major Industrial and Agricultural Products"--Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The figures of output of grain, cotton, steel and coal at the last year of China's five-year plans are as follows:

1. Grain

1957 (end of first five-year plan)--195,050,000 tons:

1962 (end of second five-year plan)--160,000,000 tons:

1970 (end of third five-year plan)--239,960,000 tons:

1975 (end of fourth five-year plan)--284,520,000 tons:

1980 (end of fifth five-year plan)--320,560,000 tons:

1985 (end of sixth five-year plan)--378,980,000 tons: and

1990 (end of seventh five-year plan)--425,000,000 tons to 450,000,000 tons as planned).

2. Cotton

1957 -- 1,640,000 tons:

1962 -- 750,000 tons:

1970 -- 2,277,000 tons:

1975 -- 2,381,000 tons:

1980 -- 2,707,000 tons:

1985 -- 4,150,000 tons: and

1990 -- 4,250,000 tons (as planned).

3. Steel

1957 -- 5,350,000 tons:

1962 -- 6,670,000 tons:

1970 -- 17,790,000 tons:

1975 -- 23,900,000 tons:

1980 -- 37,120,000 tons:

1985 -- 46,660,000 tons: and

1990 -- 55,000,000 tons to 580,000,000 tons (as planned)

4. Coal

1957 -- 131 million tons:

1962 -- 220 million tons:

1970 -- 354 million tons:

1975 -- 482 million tons:

1980 -- 620 million tons:

1985 -- 850 million tons: and

1990 -- 1,000 million tons (as planned).

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON TOTAL PRODUCT OF SOCIETY

OW251100 Beijing XINHUA in English 1003 GMT 25 Mar 86

["Facts and figures (1): China's Total Product of Society" -- Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The following are figures of China's total product of society (the total output value of agriculture, industry, building trade, transport and telecommunications, and commerce) of the last year of each five-year plan period:

1957 (end of first five-year plan) -- 160.6 billion yuan:

1962 (end of second five-year plan) -- 180 billion yuan:

1970 (end of third five-year plan) -- 380 billion yuan:

1975 (end of fourth five-year plan) -- 537.9 billion yuan:

1980 (end of fifth five-year plan) -- 853.1 billion yuan, and

1985 (end of sixth five-year plan) -- 1,624.2 billion yuan. [no figure given for end of 1990]

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON FARM, INDUSTRIAL OUTPUT

OW251102 Beijing XINHUA in English 1005 GMT 25 Mar 86

["Facts and Figures (2): "China's Total Industrial and Agricultural Output Value" -- Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The following are the figures of China's total industrial and agricultural output value at the last year of each five-year plan period:

1957 (end of first five-year plan) -- 124.1 billion yuan:

1962 (end of second five-year plan) -- 150.4 billion yuan:

1970 (end of third five-year plan) -- 313.8 billion yuan:

1975 (end of fourth five-year plan) -- 446.7 billion yuan:

1980 (end of fifth five-year plan) -- 707.7 billion yuan:

1985 (end of sixth five-year plan) -- 1,326.9 billion yuan: and

1990 (end of seventh five-year plan) -- 1,677 billion yuan (as planned).

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

BRIEFS

HUNAN STATISTICS SHOW ACHIEVEMENTS--On 20 March, the provincial statistics bureau announced the statistics for 1985, which show that the province made gratifying achievements in the national economy. It overfulfilled the major targets assigned by the Sixth 5-Year Plan. The gross social output value in the year totalled more than 62.2 billion yuan, an increase of 11.8 percent over the previous year. The national income was 29.7 billion yuan, an increase of 10.9 percent compared to the previous year. The province also had a slight surplus in addition to balancing revenue and expenditure. [Text] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 20 Mar 86 HK] /12913

1985 ECONOMIC STATISTICS RELEASED--According to NANFANG RIBAO, the provincial statistics bureau today published a communique on national economic and social development in 1985. The communique shows that, as a result of continuing to implement the principle of opening up to the world and invigorating the domestic economy and carrying out economic structural reform, the province achieved sustained development in industrial and agricultural production at a realtively high growth rate, and its national economy prospered. According to initial statistics, total social output value of the province last year was 108.5 billion yuan, a rise of 20.6 percent over 1984. National income was 49.7 billion yuan, a rise of 18.2 percent. Total industrial and agricultural output value was 69.1 billion yuan, a rise of 20.7 percent. In the wake of the development of production, the markets prospered, financial revenue increased, and the incomes of urban and rural people rose. The communique also shows that there were further developments last year in export trade, external economic and technical cooperation, the use of foreign investment, and tourism. The communique points out that the main problems in the province's national economic development at present are that there is excessive investment in fixed assets, there is an electric power shortage, and prices have risen by a relatively large margin. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 22 Mar 96 HK] /12913

PEOPLE'S EXPENSIVE PROPERTY SURVEYED--A sample survey conducted by the municipal Statistical Department showed that the average total value of the major property of Tianjin's residents reached 2,700 yuan per household during the Sixth 5-Year Plan period, an increase of 1,330 yuan, nearly 100 percent, over 1980. Of this, the value of such electric appliances for daily use as washing machines, wrist watches, and bicycles increased by 46.6 percent, that of the electric appliances for recreation, such as television sets, and recorders, increased by 160 percent, and that of high-grade clothes made of wool and fur increased by 190 percent. A fairly large number of people bought color televisions in the past two years. In every 100 households, there were 16.6 color televisions and 9.3 washing machines.

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CSO: 4006/850

ECONOMIC MANAGEMENT

REFORM OF URBAN ECONOMY SEES FIVE MAJOR CHANGES

Beijing BEIJING RIBAO in Chinese 31 Jan 86 p 4

[Article: "Five Major Changes Follow Reforms in China's Urban Economic Systems; Great Achievements Appear As Expected; Victories in the Early Battles Are Pleasing"]

[Text] A new situation has appeared in reforms in urban economic systems in China and they are beginning to move from limited trials to comprehensive extention. Important changes have been made through reforms, from the microeconomic to the macroeconomic level and from the economic base up to the superstructure.

He Guanghui [6420 0342 6540], vice chairman of the state Commission for Reforming the Economic System, described this situation at a conference of relevant CPC Central Committee departments on 30 January. He said that urban economic reform in China is focusing on the central link of enterprise invigoration and may be divided into two stages. The first was the limited trial and exploration stage prior to the 3d Plenum of the 12th CPC Central Committee in October 1984. AFter the "Decision of the CPC Central Committee Concerning Reforms in Economic Systems " was passed at the Plenum, a new stage of comprehensive reforms was begun.

Information provided by all areas indicates that after expansion of decision-making rights in enterprises and substitution of tax payments for profit delivery, we have perfected internal systems of economic responsibility that integrate responsibilities, rights and interests. Large-and medium -scale enterprises that were rather sluggish in the past also have begun to be enlivened as that has adopted a series of reform measures. In combination with enterprise reforms, the number of cities that be implemented comprehensive economic reform has increased to 61, and important steps have been taken in price and wage reforms. Reforms also have been carried out to varying degrees in commerce, materials, planning, and other systems. He Guanghui's analysis of this situation was that the extent of reforms in recent years has been greater than anticipated, especially in the past few years, but achievements also have exceeded expectations. The need for victories in the early battles have been met and five major changes in urban economic systems have occurred as a result.

First, in terms of systems of ownership, the unitary public ownership system of the past, which basically was not consistent with the level of development of the forces of production, is now gradually changing to one in which socialist public ownership predominates and where diversified economic forms and management patterns develop together.

Second, in the area of the relationship between the state and enterprises, the latter now are beginning to shift from their past status as subsidiaries of administrative organizations to one of relatively independent commodity production operations. Some enterprises have shifted from simple production toward production-management and mangement-development types.

Third, in the area of markets, the past situation of unified and assigned purchases, unified purchases and guaranteed sales, supply on the basis of certificates, and planned distribution has begun to shift toward contracted fixed purchase and sales, and other such forms. The past circulation system of single channels, multiple links, and closure now is undergoing reforms and moving toward multiple channels, fewer links, and openness.

Fourth, in the area of economic relationships within China and with foreign countries, the past situation of closure to the outside and detachment and separation within China now is being converted to an open economy.

Fifth, in the area of macroeconomic management, the traditional system of the past that depended mainly on administrative measures and a high degree of centralization is now undergoing reforms. The scope and proportion of directive planning now are being reduced and the role of financial administration, taxation, banking and other economics levers is being reinforced. Economic management departments at all levels are gradually simplifying administration and transferring authority, and readjustments and reorganization have been carried out in some administrative-type companies. These actions have caused the former management patterns in which direct control predominated to begin a transition toward a management pattern in which indirect controls are the main force.

12539/13068
CSO: 4006/766

ECONOMIC MANAGEMENT

ECONOMIC CONTRACT ARBITRATION MEETING CONCLUDES

Beijing RENMIN RIBAO in Chinese 21 Jan 86 p 2

[Article by Lu Mu [7627 3668] and Pan Gang [3382 1511]: "Director's Meeting of National Economic Contract Arbitration Commission Stresses Need To Improve Economic Contract Management and Pay Close Attention to Mastering Arbitration Work"]

[Text] The first director's meeting of the National Economic Contract Arbitration Commission since its establishment, ending on 19 January 1986 in Beijing, has stressed the need for all areas to improve economic contract management and pay close attention to mastering arbitration work, in order to benefit the successful development of the reform of the economic system and the building of the two civilizations.

The National Economic Contract Arbitration Commission was established in September 1983. Over the past 2 years or so, it has handled many cases of disputed economic contracts. During the first 11 months of 1985, it handled more than 30,000 cases, or an increase of 60 percent over 1984. It also confirmed and handled over 2,600 cases of invalid contracts and investigated and handled 892 cases of illegal activities which were carried out through the use of economic contracts.

The consensus of the meeting was that improvement of the management and arbitration work involved with economic contracts is needed in our current circumstances and is an urgent requirement to ensure the thorough accomplishment of reform, invigorate the economy, and promote construction. According to incomplete statistics for some areas, almost 100 million economic contracts were signed in Jiangsu Province in 1985, and the number of economic contracts which were signed in Hebei Province during the first half of 1985 increased more than six-fold over all of 1984. The number of urban and rural economic contracts of all types which have been concluded throughout China is more than 1 billion. The number of economic contracts has increased, the number of cases of disputed and litigated contracts has grown considerably, and cases of illegal and criminal activities which are carried out through the use of economic contracts are gradually increasing. It will be necessary to improve management and arbitration work involved with economic contracts, thus safeguarding the normal order of economic activity, supporting normality and dispelling irregularity, and protecting the legal rights and interests of the state, collectives, and individuals.

The meeting pointed out that, in order to improve management and arbitration work involved with economic contracts, there must be reliance on law, strict law enforcement, and correction of violations. While carrying out widespread, and thorough propaganda on economic contracts, it will be necessary to stress macroeconomic control and guidance. It will be necessary to rely on and develop social forces, i.e., departments and enterprises responsible for business work in particular, and to do a good job of contract management. Particular attention should be paid to the use of economic contract inspection and arbitration; reconsideration of appealed cases and post-arbitration return visits should be stressed, and quality and effectiveness in handling cases should be improved constantly.

The meeting decided that, at present, it will be necessary to coordinate concerned departments to spread legal knowledge or economic contracts, and to spur responsible people in departments responsible for economic work, factory directors, managers, and purchase and sale businessmen in all areas to study, known and rely on the law in signing and fulfilling contracts. Based on their respective actual conditions, large and medium-sized cities must carry out an inspection of economic contracts. Through the inspection, problems in signing and fulfilling contracts should be understood, and prompt steps should be taken to solve them; trials of major and important cases should be stressed, the study of difficult cases should be improved, and illegal activities which are carried out through the use of economic contracts should be investigated and handled seriously. Moreover, business cadres must also be trained conscientiously and the organization and building of economic contract arbitration commissions at all levels must be improved in order to adapt to the needs of new and developing circumstances.

12267/6662
CSO: 4006/638

ECONOMIC MANAGEMENT

PRC SETS UP NEW 'LOOSE' ECONOMIC ORGANIZATION

OW172041 Beijing XINHUA in English 1619 GMT 17 Mar 86

[Text] Nanjing, March 17 (XINHUA)--The new policy of encouraging inter-regional cooperation has paid off in the establishment today of an economic organization consisting of 103 counties and cities in four provinces which border on each other.

The organization, which calls itself the "Huaihai economic region" with Xuzhou in Jiangsu Province as the center, is expected to coordinate economic activities in northern Jiangsu, southern Shandong, northern Anhui and eastern Henan Provinces in east China.

These have a combined area of 159,000 square kilometers, and a population of 87 million.

A liaison office was set up in Xuzhou, a coal-mining center where the Beijing-Shanghai and Lianyungang-Lanzhou railways--two of China's arteries of land communication--join.

The "region" is not an administrative division, said a spokesman for the liaison office, but a loose organization with participants free to join.

For a long time in the past, the spokesman said, the economic development in this part of China had been hindered by a rigid division of administration.

This was in part responsible for the fact that the area's industrial and output value, calculated on a per capita basis, was only 65 percent of the national average, despite its development potential.

In recent years, Chinese leaders have openly acknowledged the defects of the current economic administrative system.

While decentralizing power--meaning giving more autonomy to local governments and enterprises--they have encouraged streamlining of production, transport and other economic activities by breaking away from administrative divisions.

Some 60 counties round Xuzhou had already entered economic cooperation of various forms, the spokesman said.

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CSO: 4020/238

ECONOMIC MANAGEMENT

LIAONING HOLDS EMERGENCY MEETING ON INDUSTRIAL PRODUCTION

SK140506 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 13 Mar 86

[Text] On the afternoon of 13 March the provincial people's government held an emergency telephone conference to mobilize the masses of staff members and workers on the industrial and communications front throughout the province to guard against a slackening of efforts and concentrate energy on the current industrial and communications production in order to make a good beginning in the first year of the Seventh 5-Year Plan period.

The conference noted: Because the economic growth of the country was too large last year, it is totally necessary to slow down the growth rate stemming from the specific situations in our province's industrial production and profit earnings of this year, the major problem at present lies in the rather low growth rate rather than the overheated growth. In February, in particular, the growth was too low. We must adopt measures immediately to change such a situation.

The conference urged: All localities and departments should organize competent personnel right away, and send them to grassroots units to conduct investigations and study, and to help enterprises solve practical problems. We should enable the masses of staff members and workers to understand that only when we increase the production of readily marketable products and create more wealth for the state can we improve the people's living standards. Without increased production and developed education, it is impossible to increase the income of staff members and workers. The relations among the state, the collective and the individual should be straightened out so that the wages [words indistinct].

The conference urged: Financial and banking departments should increase their loans for enterprises to use as circulating funds. The focus should be placed on the large and medium-sized enterprises which carry out the state key projects and produce means of production and the consumer goods in short supply. They should make arrangements for the production of readily marketable products, and avoid blind production to prevent new overstock and the aggravated strained situation in circulating funds.

The conference stressed: The implementation of the economic contract system should be taken as an important measure to switch the present passive situation in industrial production. Collective and township enterprises should resolutely fulfill the contracts they signed last year with the approval of higher authoritative departments, in which base figures were examined and deemed basically reasonable. In case the base figures were a little too low, they should be properly adjusted after conducting ideological and political work and obtaining the approval of the persons concerned. Such contracts should also be fulfilled as soon as possible without delay.

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CSO: 4006/834

ECONOMIC MANAGEMENT

SHANXI MEETING DISCUSSES INDUSTRIAL TASKS

HK120211 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 11 Mar 86

[Excerpts] The provincial government held a telephone conference on the evening of 11 March to announce the situation in January and February industrial and communications production and propose a number of tasks to be tackled at present:

1. Leaders at all levels must attach sufficient importance to the question of growth rate. This must be grasped every day and every month from now on. It cannot be slackened for one day.

2. It is essential to devote great efforts to boosting output of products in high demand. Output of stockpiled products should be linked to orders, restricted, or halted as appropriate. Output of products that sell well and are in short supply must be boosted.

3. Seriously implement and perfect the economic responsibility systems.

4. Leaders must personally get to work to solve the problem of weak links in a thoroughly sound way. The problems must be solved one by one, to enable production in weak enterprises to be invigorated as soon as possible.

5. Get a good grasp of firming up industrial and communications production for the second quarter.

The principal leading comrades of the provincial government have decided to personally go to stay at enterprises to tackle work there. They have called on the leaders of all prefectural and city economic commissions and of provincial industrial departments, bureaus, and corporations to personally lead work teams of cadres to go to stay at selected points to grasp typical examples, help to organize and firm up and organize production in March and the second quarter, sum up experiences, and provide appropriate guidance, so as to stimulate the development of industrial and communications production throughout the province.

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CSO: 4006/834

ECONOMIC MANAGEMENT

UNDERSTANDING OF CURRENT SHAANXI PRICE REFORM NEEDED

Xi'an SHAANXI RIBAO in Chinese 27 Nov 85 p 3

[Article by Si Nan [0674 0589], deputy director of the Finance Office: "Correctly Understand Current Shaanxi Province Price Reform"]

[Text] The issue of prices affects the vital interests of thousands upon thousands of households, is one of general concern to everyone, and is also a key link of economic reform.

Over the past few years, we have carried out careful and step-by-step reforms of our price management and pricing systems, and have achieved remarkable results. 1. Since 1979, we have raised our procurement prices for agricultural sideline products one after another, greatly narrowed the prices scissors between our industrial and agricultural products which was left over by history, and greatly improved our percentage of marketable products in proportion to agricultural sideline products. From 1979 to 1984, our price index for gross agricultural product procurement rose 45.1 percent, while our retail price index for industrial products rose only 9.2 percent. From the perspective of price relations of industrial and agricultural products, in the early 1980's, the same amount of agricultural products could be exchanged for over 50 percent more industrial products than in the early 1960's and over 100 percent more than in the early 1950's. 2. Readjustment of the prices of some industrial products, raising some and lowering others, and appropriate planning of all price differences has played a beneficial role in promoting revision of our industrial production structure. The irrational situation of prices for the energy needed for industrial products and for some raw and processed materials being too low has been alleviated somewhat. In the light textile industry, chemical prices have been lowered repeatedly, and are far lower than international market prices. The prices of chemical fiber cloth, wrist watches, radios and such new and developing products as television sets and tape recorders have also been lowered along with cost reductions. 3. Reduction of the scope of state-unified fixed prices, transferring of some price-management jurisdiction to lower levels and establishment of such diversified price-management forms as state-fixed prices, fluctuating prices, and free prices has created the essential conditions to correctly use the law of value and promote socialist commodity production development.

Based on the price modifications and economic developments of the past few years, our 1985 emphasis on reregulating meat and rural grain prices has been a major step forward in putting our price system in order. From this perspective, price reform has been generally successful. Shaanxi Province urban and rural markets have maintained a prosperous and dynamic momentum, and major market price changes have not occurred. From January to September 1985, our social commodity retail trade turnover increased 25.2 percent and our consumer goods retail trade turnover increased 28.3 percent over the same period in 1984, making this the best period since the founding of the PRC and also being the greatest increase during the Sixth 5-Year Plan period. New market conditions have occurred, wherein many commodities have begun to be in great demand before their consumption season and have continued to be so long afterward. But some unstable market price factors still exist, with some nonstaple food prices having risen a little too much and price rises for raw and processed materials also having caused prices of some household industrial products to go up. Some enterprises have used this as a pretext to increase quality price differences and raise prices covertly. Other enterprises and individual small retailers have taken advantage of the opportunity to raise prices at will. We must make specific and appropriate analyses of these and not lump them all together.

Of all consumer goods prices, the masses have the most complaints about those of such nonstaple food products as meat, vegetables, and eggs. Concerning the prices of these commodities, urban residents and peasants have exactly opposite claims. Peasants dislike low prices for agricultural products, while staff members and workers dislike high ones. In order to give consideration to the interests of both producers and consumers, the state has used the method of high-priced procurement, low-priced marketing, and financial subsidies to solve the problem in the past. But due to financial resource restrictions, this method had to set a fixed price and carry out assigned procurement from peasants. Along with constant cost increases in agricultural products, some products could not even cover their costs after being sold. Peasants felt that this was unprofitable and had little interest in production. Consequently, they had long hesitated to advance production, creating shortages in nonstaple food supplies and, in turn, urban rationing and limited consumption. Since the 3d Plenum of the 11th CPC Central Committee, great success has been achieved in rural reform. In addition, the state promptly raised prices of some agricultural products. Then, it also deregulated prices of most agricultural products for negotiated purchase and sale. This series of policies and measures has greatly aroused the enthusiasm of the masses of peasants to develop commodity production, provided an abundant supply of goods for nonstaple food markets and brought about basic changes in the nonstaple food supply. This has not come easily. At present, a few commodity prices are temporarily a little high, but in the future, they will gradually fall along with production expansion. If prices of agricultural products were forcibly kept low, peasants would be unwilling to produce and we might revert to the old situation of goods and materials shortages and inadequate consumer goods. That would be undesirable.

In order to ensure that the living standards of urban residents not be affected, the state has given price subsidies for rises in meat prices and the resultant chain reaction due to deregulating them. Since raising procurement prices of such major commodities as grain and oil, it has still practiced parity rationing of them to residents who eat commodity grain, and been responsible for losses due to imbalances in purchase and sale prices. Moreover, it has given corresponding staff member and worker wage increases. It should be stated that increases in staff member and worker income and the subsidies given to them by the state are still higher than the extent of some price rises, and that actual living standards have improved considerably. Of course, while income of staff members and workers has generally increased, this does not eliminate the fact that some people's incomes have not increased much, or that their family responsibilities have become heavier and their lives are still quite difficult. The party and government understand these conditions and will gradually improve the lives of these staff members and workers.

Since deregulation of nonstaple food prices, the problem of adapting to its various aspects has existed. Ever since the founding of the PRC, we have regarded stable prices as a major guiding principle. Thus, price stability has gradually become a part of people's ideology, seeming to mean price freezing, and slight price changes have made people nervous. The recent rise in meat prices in state-owned food enterprises is, of course, in the category of normal seasonal price differences. But some people who do not understand the situation have misinterpreted it as a second price rise. This is a matter of familiarizing and adapting themselves to price policies. All business departments should do a godo job of publicity and interpretation in order to eliminate people's misunderstandings. Management departments have also had problems in adapting to market regulation and invigorating their management.

In order to successfully realize the goal of price reform, it will be necessary to further improve macroeconomic regulation and control, to control credit, consumption funds, and currency circulation in particular, and to do a good job of market planning, in order to promote steady and coordinated development of the national economy.

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ECONOMIC MANAGEMENT

HEILONGJIANG INDUSTRIAL PRODUCTION RESULTS IMPROVED

Harbin HEILONGJIANG RIBAO in Chinese 11 Dec 85 p 1

[Article by Gu Wanming [7357 8001 2494]: "Heilongjiang Province Persists in 'Taking a Step and Then Stabilizing Conditions'; Does Not Strive for High Speed; Industrial Production Pace Is Appropriate and Results Have Improved"]

[Text] Heilongjiang Province has conscientiously improved its macroeconomic control and guided its industrial enterprises to use their energy to improve economic results, and there is a new industrial production situation of an appropriate pace and a comprehensive improvement of economic results.

Comparing the first 10 months of 1985 to the same period in 1984, Heilongjiang Province output value of budgeted industrial enterprises increased 10.6 percent, realized profits increased 16.7 percent, taxes turned over to the state increased 22.5 percent, the number of enterprises which incurred losses decreased by 106 and the amount of losses decreased 11.8 percent. This has been the best year for economic results in Heilongjiang's industrial production since 1980.

At the beginning of 1985, symptoms of pace competition also appeared in some economic sectors and industrial cities in Heilongjiang. The provincial party committee and the provincial government felt that high speed, in excess of energy, communications, and raw and processed material capability, could not last for very long and might have serious consequences for economic development. They thought that only "taking a step and then stabilizing conditions" would be favorable to reform and to putting economic relations in order. Thus, they decided that in 1985, industry throughout Heilongjiang would take improvement of economic results as it central task and would not strive for an excessive rate of development.

In order to ensure synchronized development of industrial production speed and results, macroeconomic control has been improved conscientiously throughout Heilongjiang; financial supervision of enterprises has been improved, unreasonable loans have been recovered actively, quotas have been assigned for administrative expenses, and social and group purchasing power, and consumption fund growth has been controlled rigorously; clearing up of fixed-asset investment has been organized, construction of 57 irrational projects

has been stopped, import items have been investigated rigorously and foreign exchange has been used only to import small amounts of scarce raw and processed materials and not to import large amounts of primary components. During 1985, credit, fixed-asset investment, foreign exchange imports and consumption fund growth throughout Heilongjiang have not exceeded plans. Moreover, organization of heavy industry production has been carried out according to contract, light industry has produced marketable products based on market demand, and production of unmarketable and low-quality products has been restricted or stopped. These measures have enabled a series of changes to appear in economic conditions throughout Heilongjiang:

--The industrial structure has tended to become more rational, with light industry growth exceeding that of heavy industry. During the first 10 months of 1985, the output value of light and heavy industry throughout Heilongjiang increased 12.9 and 10.4 percent, respectively, over the same period in 1984.

--Product quality has clearly improved. The steady improvement rate of industrial product quality throughout Heilongjiang has reached 86.2 percent, and the output value of high-quality products has increased 55.9 percent over the same period in 1984.

--There is a trend toward reduction of consumption of energy and raw and processed materials. During the first 10 months of 1985, consumption of energy and steel products per 10,000 yuan output value of industrial production throughout Heilongjiang dropped 7 and 3.4 percent, respectively, over the same period in 1984.

--Revenue has exceeded expenditures throughout Heilongjiang. During the first 9 months of 1985, revenue throughout Heilongjiang was nearly 2.8 billion yuan, while expenditures topped 2.57 billion yuan.

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FINANCE AND BANKING

FINANCE MINISTER ON FINANCIAL WORK FOR 1986

Beijing CAIZHENG [FINANCE] in Chinese No 1, 8 Jan 86 pp 1-6

[Article by Wang Bingqian [3769 0014 0051]: "Do a Good Job in Financial Work in 1986 to Meet New Situation"]

[Text] I. The present economic situation is very good. Generally speaking, the tasks of turning around the nation economically and financially have been accomplished and a new situation of sustained, stable and balanced economic growth has appeared. In the case of finance, not only have we basically resolved the numerous problems, inherited from history, in people's daily life and urban construction since the 3d Plenum of the 11th CPC Central Committee, but we have also reversed the trend of declining revenues and soaring deficits. On the basis of rising output, the nation has succeeded in steadily increasing its revenues 4 years in a row. The distribution of expenditures is becoming more and more logical by the day. A basic balance has been achieved between revenues and expenditures. Our revenues in 1985 are expected to exceed those in 1984 by about 20 percent. We are confident we will balance our budget and eliminate our deficit.

A correct assessment of the situation is the cornerstone of policy-making and planning as well as a prerequisite for ideological unification and the allocation of tasks. It is universally recognized that the economic and financial situation last year was very good. Comrade Zhao Ziyang told the National Party Congress not too long ago, "It is not good to either overestimate or underestimate the situation and our achievements. The general principle should be to seek truth from facts and base estimates on facts." Such must be the way we assess the situation this year: opening our eyes to existing difficulties and problems, at the same time taking into full account favorable conditions and potential.

Accomplishing this year's financial plan and achieving a balanced budget are a herculean task. On the one hand, more factors are at work in 1986 that will reduce revenues and increase expenditures. On the other hand, it will be very difficult to reduce last year's increments to the budget in the absence of retrenchment and adjustments. Inevitably this creates problems for the budgetary process in 1986, including the sharp discrepancy between the demand for construction funds and the amount of money available. All these problems and conflicts are real enough. The question is what kind of attitude we

should adopt toward them. Even more important, we should fairly assess the various favorable factors in economic development. The correct attitude is one which takes into consideration both adverse conditions and advantages on the basis of a clear understanding of the entire situation, which seeks to fully exploit the advantages and transform the adverse conditions into favorable ones, and which aims to do a good job in a positive way.

Financial work finds itself in a sound position in 1986. Guided by the correct line of the CPC Central Committee and after almost 7 years of strenuous efforts since the 3d Plenum of the 11th CPC Central Committee, we have basically shifted the focus of our work toward socialist modernization, adhered to the four basic principles, upheld the simultaneous construction of the two civilizations and systematically rectified the party step by step. We have achieved notable progress in the restructuring of leading cadres at all levels and the correction of unhealthy tendencies within the party. A new political situation, stable, united, lively and vigorous, has emerged. The entire party and the whole population are now implementing the spirit of the National Party Congress and continuing their efforts to achieve economic reform and the four modernizations, at the same time seriously paying full attention to the construction of the socialist spiritual civilization, strengthening ideological and political work, combating and resisting bourgeois liberalization and the corrosive influence of all manner of decadent ideas, and exerting themselves to fundamentally improve the party style and social tone. For these reasons, our political situation should get better and better.

Turning to the economic situation, the first thing to be said is that a sound economic environment has begun to take shape due to economic adjustments and systematic restructuring over the past several years. When we look at the economic environment, our primary concern is to see whether the major proportionate relations are in line with one another and whether the economy can maintain sustained, steady growth at an appropriate pace. As far as proportionate relations are concerned, the current proportionate relations between China's agriculture, light industry and heavy industry are relatively well balanced, with each accounting for about one-third of the gross industrial and agricultural output value. They also match our present level of economic development. The proportionate relation between accumulation and consumption has also improved considerably; notwithstanding the fact that accumulation took up an inordinately large share of the national income last year, the annual average for the 5-year period remained at about 29 percent. During the Sixth 5-Year Plan, gross national industrial and agricultural output value and national income are estimated to have grown at least 10 percent and 9 percent respectively each year on the average, a stable momentum which we should largely be able to keep up during the Seventh 5-Year Plan. As the restructuring of the economic system gradually unfolds, China's national economic development is entering a new era of structural soundness, vitality and dynamism.

Second, our economic strength has been enhanced and the financial basis of the state has become more solid. One cannot assess the economic situation without looking at both the economy and finance. In the wake of economic expansion, our revenues for 1985 are expected to top 170 billion yuan. Add the 140

billion yuan in extra-budgetary funds, and we have a grand total in excess of 300 billion yuan, up more than one-fold over 1980. Simultaneously, while ensuring that the system of public ownership remains the centerpiece of the national economy, the government has also encouraged and nurtured with the right policies and financial backing the development of that part of the economy outside the public sector. In both urban and rural areas, the collective economy has grown rapidly, as has the individual economy, thereby broadening and substantiating our revenue sources. What has come into existence is a brand new situation, one characterized by a multitude of revenue sources and a diversity of economic forms, funds and distribution channels. It should be said that we now have more extensive revenue sources and more room to manuever when it comes to the use of funds.

Third, a number of new problems which have appeared in the course of economic development are gradually being resolved and overcome. Since the fourth quarter of 1984, the CPC Central Committee and the State Council have adopted a series of sound measures, controls and adjustments to tackle them. After more than half a year's effort, the situation is slowly getting better. The excessively rapid rate of industrial production is moderating, capital investments are being brought under control and the sharp expansion in credit and consumption funds has also eased. As we fine-tune our work, the above situation will improve even further.

Fourth, it is most important that we become aware of the tremendous waste, hence enormous potential, in all aspects of our economic work. In the area of production, the economic results of many enterprises have so far failed to match their highest level in the past. Turning to circulation, commodity turnover is slow, circulation costs are high and losses are piling up dangerously. The potential in the area of capital construction is even greater. As for revenues lost due to tax evasion, waste in government spending and so on, the problems are even more widespread. We conducted three general tax and financial inspections in 1981, 1982 and 1983, which netted 5.6 billion yuan in back taxes. At the instruction of the State Council last year, we are now carrying out another inspection which has benefited the treasury by 2 billion yuan so far.

It is clear from the above that our present situation is very good, with numerous favorable circumstances, particularly the high regard and support of party and government leaders at all levels for financial work and close inter-agency cooperation. All this should make us confident of fulfilling this year's financial tasks and balancing the budget. We must earnestly liberate our ideas, widen our revenue sources, orient ourselves toward the vast numbers of enterprises, tap potential, plug loopholes, do everything to increase revenues and cut expenditures and devote ourselves to the improvement of economic results. That way we will be able to unify our ideology, get a clear understanding of the situation, clarify our tasks, make full use of favorable conditions and overcome unfavorable ones. We should talk less and do more, unite as one, boldly take up heavy responsibilities and complete the financial tasks for 1986, doing what we should to promote the national economy, support various reforms, make the open door policy work and consolidate the splendid situation.

II. Financial work this year should continue to implement the spirit of the instructions issued by the CPC Central Committee as it heard a party rectification report by the leading party group of the Ministry of Finance. It should revolve around the balancing of the budget, the promotion of various reforms and the enhancement of economic results. At the same time, further efforts must be made to step up ideological and political work and the construction of the tax and financial contingent and improve our leadership style in earnest. We must seize the initiative and lay a solid foundation for the accomplishment of the financial tasks the Seventh 5-Year Plan has set for us. To highlight our priorities, we must come to grips with the following four tasks in 1986:

1. Pay Attention To Revenue Enhancement And Expenditure Reduction And Continue to Keep The Budget In Balance

Balancing the state's finance, credit, materials and foreign exchange, both individually and with one another, is basic to ensuring coordinated economic proportionate relations, a stable economy and the success of the restructuring of the economic system. The key to balancing the budget this year lies in strictly holding down expenditures and making sure that revenues grow steadily. To that end, we must vigorously organize revenue collection and seriously do a good job in tax work and enterprise financial work. The latest tax and financial inspection reveals that many localities, departments, enterprises and institutions fail to comply with the law and regulations or enforce them strictly. It also lays bare the numerous loopholes in our management system. When the tax and financial inspection basically comes to an end, therefore, we must take as our point of departure the demand that we effect the three fundamental improvements, sum up experience, establish and perfect various systems and intensify supervision and management. In the future, enterprises, institutions and tax and finance agencies must tighten tax discipline, follow tax laws and regulations closely, and firmly prohibit all forms of tax evasion, tax cheating and other conduct that violates the law. Collect in full whatever should be collected, no more, no less. Ask for instructions from and report regularly to leading party and government comrades at all levels so that they will strongly support the work of tax departments, like leading comrades on the Hebei CPC committee and in the provincial government. Overcome the one-sided "policy of benevolence" and put a stop to the practice of random tax reduction and tax exemption. Ideally we should know the law, understand it, observe it and act in accordance with it. In dealing with genuine hardship cases which require tax concessions, we must also follow legally prescribed procedures and secure the necessary approvals.

Even as we strengthen tax collection, we must also intensify our drive to improve financial work within enterprises, an effort which must never be slackened. We know from experience that poor enterprise management and limited economic results are definitely related to half-hearted financial work in enterprises. After taxes replaced profits, financial work remains not only an important part of an enterprise's business operations, essential to improving its management, increasing its economic results, tapping new financial sources and augmenting its income, but also a basic task in financial and tax management. We must, as always, work hard at it and do it right. Besides stepping up enterprise financial control at the top, we must

continue to seize a number of good and bad examples, examining, analyzing and using them in propaganda and education as an impetus to enterp ises to improve business management and perfect their economic accounting system so that they can raise their standard of financial management appreciably. We have also improved the way treasury bonds will be issued in 1986. Localities everywhere must strengthen leadership, publicize and promote their sale successfully and go all out to make sure the issuance target is over-fulfilled.

Efforts to secure revenues must be combined with a continuing drive to control and hold down spending. Our spending priorities this year are key projects, economic reform, educational development and agriculture, wherever necessary. Spending in all other areas must be kept within our means and under stringent control. Without setting priorities, there can be no policy. But even spending on priority projects must emphasize economy and cost effectiveness. Apart from allocations already provided for by the state in the 1986 budget, the various capital construction projects (including those organized by local governments with emergency funds) must not seek additional funding. Operating expenses for education, culture, science and public health in 1986 are determined in accordance with the two resolutions on educational reform and the restructuring of the scientific and technical system. Spending in those areas will increased more rapidly than the growth rate of regular revenues. Government spending on agriculture has risen only slowly in recent years, with an actual decline in the funds for the direct support of agricultural production. The family output-related system of contractual responsibility has been put on a firm footing and is widespread in the countryside today, with impressive economic results. Nevertheless, the need still exists for increased government spending to support and thereby facilitate the further development of agricultural production; accordingly, the CPC Central Committee and the State Council have decided to step up investments in agriculture as appropriate from 1986, the focus being on the improvement of the basic conditions of agricultural production and the popularization of agricultural science and technology. In setting spending targets, all localities must follow policies and take appropriate steps. In 1985, all localities and departments have tried very hard to cut down on administrative expenses and contain group purchasing power, and they clearly have something to show for their efforts. This year we must continue to issue targets and further tighten control and management so that state limits in these two areas will not be exceeded. Whatever we do, we must strongly advocate frugality and economy, oppose extravagance and waste and live up to the rule of spending less, doing more and do it well.

To ensure a balanced budget, finance agencies at all levels should insist on balancing their accounts on a year-by-year basis and aim for a small surplus. No deficit budgeting is allowed. Because local governments took in more revenues last year, the vast majority of localities had a surplus. Every local government must give itself something to fall back on, so it should try not to touch last year's surplus. As for this year's surplus, it should be resorted to, and then sparingly, only when its use is perfectly justified. It is both dangerous and a violation of state budgetary control principles to make spending plans at the beginning of the plan based on guesstimates of an anticipated surplus. We will work out separate budgets for the central government and local authorities within the framework of the overall budget.

All localities must live within their means and undertake projects within their financial capabilities.

Balancing the budget is related to balancing credit, materials and foreign exchange: one cannot be severed from the others. We must cooperate with the departments concerned and balance the various kinds of funds in a comprehensive way. The management of extra-budgetary funds, including the disposal of the "petty-cash boxes" in the units, demands special attention. Without affecting their ownership, we may handle extra-budgetary funds in a variety of ways--special reserve, planned management, financial examination-and-approval, bank supervision. Funds in special reserve, however, must not be used to finance development companies or set aside as investments in capital construction. Units should be required to take stock of funds they have stashed away in their "petty-cash boxes" within a specified time and then deal with them accordingly: whatever is legal may be kept, whatever is illegal should be turned over to a finance agency. They should also cooperate with banks and establish a management system, if necessary.

2. Continue To Improve Finance and Tax Systems and Make Necessary Preparations for the Wholesale Restructuring of the Economic System During the Seventh 5-Year Plan

In accordance with the spirit of CPC Central Committee instructions, the thrust of reform in the first 2 years of the Seventh 5-Year Plan will be to strengthen and improve indirect macroeconomic control as required by stable economic development. This year, we shall concentrate on filling up the gaps. Accordingly, the focus of financial reform in 1986 is the perfection of the industrial and commercial tax system and the system by which units pay taxes instead of turning over profits. But we must also carry out intensive studies and research and draw up necessary reform schemes to pave the way for the reform of the financial and tax system in the last 3 years of the Seventh 5-Year Plan.

To further invigorate large and medium-sized enterprises and systematically enhance their capacity for self-improvement and self-development, a decision has been made to gradually reduce the regulation tax payable by major large enterprises that are into technical transformation, have important export tasks, contribute significantly to the state and pay heavy regulation taxes, and to increase the depreciation rate of their fixed assets step by step. These two tasks require comprehensive planning and coordination. Allowance must be made for the varying circumstances of different enterprises, while consideration must also be given to limits on the state's financial capability. In particular, we must make sure that the extra funds enterprises end up with are spent on modernization and technical advancement, not capital projects, welfare or bonuses. We must continue to improve the industrial and commercial tax system to make full use of the economic leverage of taxes. Furthermore, we must improve tax legislation concerning foreign nationals and companies so that taxes become an even better vehicle for implementing the government's incentive or restrictive policies. As for the reform of the financial control system, we must continue to follow the system of "differentiating between different categories of taxes, fixing revenues and expenditures and dividing up the work and assigning a part to each level." An

earnest effort must also be made to come to grips with rural financial work, particularly agricultural financial work and rural tax collection, both vital to the development of rural and town enterprises and the prosperity of the rural economy. In addition, we must take an active part in wage and price reform and other economic reforms so that the variety of economic mechanisms can be applied in unison with one another and in tandem with the restructuring of the economic system.

3. Take Realities Into Consideration and Focus on Priorities to Bring About a Breakthrough In Our Effort to Improve Economic Results

Time and again the CPC Central Committee has emphasized the need to handle the relations between economic results and economic growth properly and elevate the improvement of economic results to a new position of prominence. As far as finance is concerned, we want 1986 to be a year when we aggressively pursue economic results, both in the interest of balancing the budget and as a way of assessing the achievements of tax and financial reforms. The improvement of economic results mainly depends on the efforts of the departments and units, especially grassroots units; everybody is responsible in his own way. But finance and tax agencies must also do its share of work. Many issues are involved here and the work is not easy. Nevertheless, as long as we unify our understanding, coordinate our actions, take financial relations into consideration, cooperate with the departments concerned, focus on the priorities and exert ourselves, our work will bear fruit.

We must fully understand the urgency and importance of increasing economic results. Poor product quality, high material consumption, long construction cycle, meager economic results--all are longstanding and widespread problems in our production, problems so persistent that they are fairly called "chronic diseases." A failure to cure them fundamentally will prevent us from fully utilizing all kinds of resources, creating more wealth with less input and better satisfying the people's daily needs, the requirements of construction in all areas and the demands of export expansion. Comrade Zhao Ziyang has rightly summed up the key to construction and development as an all-out effort to increase the economic results of enterprises and heighten our ability to export and earn foreign exchange. The potential in these two areas is indeed tremendous. If only we become a little more conscientious and exercise a little more initiative in our work, we can come up with many ideas and solutions. As far as financial work goes, we must shift our attention to the pursuit of economic results and work hard at it. Generally, we should strongly support and promote whatever helps raise product quality, lower material consumption, shortens construction cycles and improve economic results. We should be mindful of results at the spending end as well as the revenue end. We have said in the past that we must master the way to make money, accumulate money and use money. Now it seems that whether or not we put money to proper use has a significant bearing on production development, the tapping of new revenue sources and the successful pooling of funds. Therefore, whether we are in production or otherwise and whether we handle revenues or expenditures, we must go after economic results. At the same time, we must set priorities in our work and emphasize industrial and commercial enterprises and infrastructural units. In 1986, the finance department (agency) in every province, municipality or autonomous region must

zero in on a couple of counties, cities and industries, studying them in depth. It should sum up their experience in increasing economic results and popularize such experience.

Dual backwardness--technical and managerial--is the root cause of the poor economic results of Chinese enterprises. The CPC Central Committee has decided to push for enterprise technical transformation in a systematic and focused way in 1986 and has tentatively allocated funds for that purpose. Apart from earmarking a certain portion of capital construction outlays for technical transformation, it will continue to set aside special appropriations and provide financial support in the form of interest subsidies. In addition, the enterprise depreciation rate will be increased in stages according to plan, while the regulation tax on certain large and medium-sized enterprises will also be cut gradually. But the enterprises must devote whatever funds they can thus gain or save to technical modernization, not diverting them to capital construction or consumption. We will be drawing up suitable laws and regulations to make sure this is actually carried out.

4. Strengthen Ideological And Political Work And The Construction of a Financial Contingent, Improve Leadership Methods And Style

In light of party rectification, tax and finance agencies at all levels have worked hard in recent years to build up their contingents, perfect their organizations, expand their ranks of cadres, reshuffle their leading cadres and offer cadre training. Their achievements, though considerable, still fall far short of what the developing situation requires. We in finance agencies must continue to consolidate the gains of party rectification and earnestly step up our work in this area in order to keep improving the standards of financial work and cadre management to meet the taxing demands of financial tasks in the Seventh 5-Year Plan.

An important and urgent task facing tax and finance agencies and construction banks today is to stand firm on the simultaneous construction of the "two civilizations," pay full attention to the construction of the socialist spiritual civilization, seriously strengthen ideological and political work, and study Marxist theory diligently and earnestly. Finance agencies organize the accumulation and distribution of funds and are therefore closely and directly related to the implementation of party lines, policies and principles. All this makes clear that financial work involves important policy issues and is charged with politics and requires us to attach special importance to and intensify ideological and organizational construction.

In recent years we have investigated and handled a number of cases involving tax and financial cadres who broke the law and took bribes. The latest tax and financial general inspection also brought to light other cases of bribery, theft and corruption among our cadres. A year ago, the General Office of the CPC Central Committee and the office of the State Council issued a circular demanding that party and government organs at all levels firmly and seriously implement the series of Central Committee and State Council instructions on the correction of unhealthy tendencies, effectively improve organizational style and eradicate all decadent phenomena. We must study the circular carefully and enforce it unswervingly. Years of experience prove that we must

never slacken ideological and political work even as we devote ourselves to financial work. In providing cadres with professional training, we must concurrently organize study in Marxist theory and educate them in idealism, ethics and discipline. We must heighten unity between departments in the finance and tax system, between us and other departments outside the system and between old and new cadres, the aim being to work together to accomplish our tasks. Our old comrades should serve as a model, professionally, ideologically and in matters of style, and set an example of unity. It is their mission to pass on and carry forward tax and finance cadres' fine historical tradition of hard work, austerity, honesty and law abidingness.

We must continue to strengthen tax and finance organs and augment their ranks of cadres. In accordance with central government instructions, comprehensive economic management agencies must be strengthened and expanded as part of the current economic and organizational reforms in order to upgrade the scientific standard of economic decision-making and the regulatory capability of macroeconomic control. As things now stand, the setup of tax agencies and the size of their cadre contingent still fail to satisfy the demands of the developing situation, so the need to strengthen and expand them is urgent. I hope that provinces, autonomous regions and municipalities directly under the central government will do their best to transfer cadres to the agencies and increase their competence by organizing the necessary professional training in accordance with the demands of the State Council. As work becomes more complex in the future, we must continue to strengthen ourselves in this regard.

Information work is a weak link in tax and finance agencies. There have been numerous instances over the years in which a lack of information led to wrong policy decisions or improper implementation. Not only are our finance agencies ill informed and slow to react, but they are also grossly inadequate in comprehensive analysis. The need for improvement here is acute. Beginning this year, we propose to gradually establish an information exchange and report system. In this connection, we must not only continue the existing statistical reporting and work reporting systems, but also adopt modern mechanisms, including the computer, augment the use of telecommunications, if necessary, and introduce microcomputer control. Of course, the introduction of modern facilities is a gradual process which takes time, but we must accelerate that process so that we can meet the needs of our work as soon as possible. In strengthening information work, we must not content ourselves with the gathering of raw data, but should also improve their processing and analysis, paying particular attention to policy research. This requires our leading cadres to seriously discard their traditional preoccupation with trivia and prevent themselves from being drowned in a sea of details. Instead they must be resolved to make time to go to the forefront of finance and taxation to investigate and research, apply themselves to the solution of key issues and genuinely seize the initiative in reform and work.

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MINERAL RESOURCES

MINING TO BE LICENSED UNDER NEW LAW ON MINERAL RESOURCES

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[By staff reporter Wu Jingshu]

[Text] The State will continue to encourage collective and private enterprises to take part in tapping the country's mineral resources, but will supervise them under a new licensing system, Zhu Xun, Minister of Geology and Mineral Resources, said yesterday.

More than 120,000 rural collective or private enterprises across China are now producing one-fourth of the country's coal, one-third of its iron ore, one-fifth of its gold and other non-ferrous metals and more than 70 percent of its raw building materials, Zhu told CHINA DAILY.

Last year, the 61,000 rural collective or private mines turned out 243 million tons of coal, 28.7 percent of the national total, Zhu pointed out.

These rural enterprises have not only contributed significantly to the national economy, but have also provided jobs for a major portion of unemployed labor, Zhu said. With the growth in agricultural productivity, only two farm hands are now needed to produce what three did a few years ago, he pointed out.

This large number of small mines should be organized under a coordinated system so that they will not waste the nation's wealth, nor harm its environment or public health, the minister said.

It is also necessary to set specific boundaries for each mining enterprise, so as to avoid disputes resulting from cross-mining. A number of small mines have blindly dug into areas of State-owned enterprises, Zhu noted.

A proposed new Law on Mineral Resources now being discussed by the Standing Committee of the National People's Congress would stipulate rules aimed at encouraging while regulating mining by State-owned as well as collective and private enterprises, Zhu said.

No mining would be allowed without a State license which could be revoked if the law were violated. The license could not be transferred, leased or sold to another person or enterprise or used as security for loans or mortgages, according to the draft of the law.

The law also would require mining enterprises to pay a "resource exploitation tax" and other fees to the State for tapping mineral resources, which are legally State property.

No mining activities would be allowed within specified areas of harbors, airports, defence projects, key industry or irrigation projects, urban facilities, railways, major rivers, State preserves, scenic spots or historical relics in China. The law also stipulates requirements for labor safety and environmental protection.

There is a special clause requiring mining enterprises to restore forests or farmland destroyed during mining, and to indemnify victims for loss of life or property, the minister told CHINA DAILY.

The Law on Mineral Resources, which is expected to be approved by the NPC Standing Committee tomorrow, covers all land marine resources in China and its offshore continental shelves, according to Zang Shengyuan, director of the Mineral Resources Development Bureau under the Ministry of Geology and Mineral Recources.

An ECONOMIC DAILY report said China will invest 4 billion yuan ($1.3 billion) to increase coal production in certain coal producing areas between 1986 and 1990.

An office in charge of energy planning attached to the State Council was quoted as saying that coal bases in Shanxi, Henan, and Shaanxi provinces and the Inner Mongolia and Ningxia Hui autonomous regions are targeted for increased output.

Coal from these areas is projected to rise an average of 5.5 percent in the next five years, up 57 percent over the projected national increase of 3.5 percent. The mines will produce 460 million tons of coal in 1990, about 100 million tons more than in 1985.

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MINERAL RESOURCES

BRIEFS

MINERAL DISCOVERED IN QINGHAI--Lanzhou, 25 Mar (XINHUA)--A new mineral discovered by Chinese scientists in Qinghai Province has been internationally recognized. The green mineral, named zincovoltaite, was found by Li Wanmao and Chen Guoying of the Lanzhou University, Gansu Province, in their study of sulfide mineral deposits in the province's Xitie mountains. They were informed in a recent letter that the mineral and name have been recognized by the International Mineralogy Association Commission on new minerals and mineral names. [Text] [Beijing XINHUA in English 0252 GMT 25 Mar 86 OW] 12624

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INDUSTRY

FASHION DESIGN BOOMING INDUSTRY IN CHINA

OW170806 Beijing XINHUA in English 0639 GMT 17 Mar 86

[Text] Dalian, March 17 (XINHUA)--The fashion consciousness of China's half a billion women, regained after decades of restraint, has placed an insatiable demand on the garment industry. Over 200 fashion designers throughout the country, including many leaders from fashion research institutes, are here discussing how to cope with this situation.

The fashion designers feel the pressure to design seasonal clothes with the latest styles. They also feel that they must live up to the standards of traditional Chinese clothing, noted for exquisite handiwork, beautiful fabrics, and handmade frog closings rather than buttons. The clothes should be practical for everyday use and be moderately priced.

The fashion designing industry has grown at a spectacular pace over the past few years. In the early 50's, China was busy recuperating from its war wounds and working hard to get its people warmly clothed. As soon as the country's economy improved, Chinese women became more and more fashionable, as in 1956 and 1957. Later 3 years of natural disasters and the "Cultural Revolution" followed. It was only after 1978 that the Chinese women considered dressing up again.

The country now has over 100 fashion designing institutes and schools. Dalian City alone contributes some 1,000 new fashions a year to the market.

Chinese fashions won worldwide acclaim during the fashion show in Paris last September.

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INDUSTRY

ANHUI RAW MATERIALS DEVELOPMENT INCREASED

OW090720 Beijing XINHUA in English 0659 GMT 9 Mar 86

[Text] Hefei, March 9 (XINHUA)--Resource-rich, yet underdeveloped, Anhui Province is promoting inter-regional economic cooperation to speed up production of raw materials, a provincial official said here today.

Since 1983, Anhui has launched 50 schemes for production of cement, pig iron, and iron ore in cooperation with China's largest industrial city of Shanghai, and coastal Jiangsu and Zhejiang Provinces.

The official said that these would involve 250 million yuan (about 83 million U.S. dollars) in investment from the three economically developed areas.

When completed by 1990, the schemes will produce 2.3 million tons of cement, 400,000 tons of pig iron, and 600,000 tons of iron ore a year.

As part of the current reforms, the Chinese government is encouraging local authorities to break down regional barriers to achieve common economic growth and prosperity.

Anhui's reserves of iron ore are verified at 2.66 billion tons, and limestone, at 2 billion tons--among the largest in China. Yet the province lacks money to develop the resources.

With a fairly well developed processing industry, Shanghai, Jiangsu, and Zhejiang have sufficient funds but have insufficient supplies of raw materials.

In launching development schemes with Anhui, the areas will receive supplies of raw materials according to their investment ratio.

So inter-regional cooperation enables both partners to make up for each other's deficiencies for mutual benefit, the official said.

For example, the Shanghai and Jiangsu Metallurgical Industry Bureaus have spent 40.5 million yuan building a blast furnace with a volume of 300 cubic meters in the Anhui City of Wuhu.

The furnace will turn out at least 170,000 tons of pig iron annually upon completion later this year.

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CSO: 4020/236

INDUSTRY

INDUSTRIAL ZONE IN SHENYANG TO BE UPGRADED

OW282018 Beijing XINHUA in English 1433 GMT 28 Feb 86

[Text] Shenyang, February 28 (XINHUA)--A massive technical-upgrading program will be carried out in a Shenyang industrial zone during China's 7th 5-Year Plan which starts this year.

The zone, in this capital city of Liaoning Province, covers a 40 sq km area. It will be the first time an entire industrial zone has been retooled in China.

The Tiexi zone, which has been in existence for 60 years, has 470 factories which account for half of Shenyang's industrial output value.

Half of China's electrical transmitters and transformers are produced here as well as 70 percent of explosion-proof electrical equipment and appliances. The annual output of metal-cutting machine tools is 10,000--ranking second in China.

Under the upgrading program, the factories will be organized according to specialized production. Heating, storage, transport, personnel training, and medical centers will be built.

A thoroughfare will divide the zone into two parts--industrial area and residential quarters.

The zone will develop robots, digital-control systems, bio-engineering, optical fibers, lasers, vacuum technology, and new materials. By the turn of the century, most of its products will be up to world standards.

Shenyang authorities plan to spend 6 billion yuan on introducing new technology over the next 5 years and the zone's industrial output value is expected to increase 7.2 billion yuan.

The State Council has granted an increase in bank loans to the zone and approved a low income tax rate of 15 percent for local technology-intensive Sino-foreign ventures, co-operative enterprises, and factories with sole foreign investment as well as for energy and transport projects.

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CSO: 4020/236

INDUSTRY

MACHINE TOOL, ELECTRICAL EQUIPMENT QUALITY REQUIRED

HK140414 Beijing CHINA DAILY in English 14 Mar 86 p 2

[Article by staff reporter Chen Zhisong]

[Text] To raise product competitiveness on the international market and increase foreign exchange earnings, China has issued an interim circular requiring machine tools and electrical equipment to pass quality licensing before export.

The circular, entitled "Interim Regulations on Quality Licensing for Export of Machinery and Electrical Equipment," went into effect last month. It was jointly announced by the State Export and Import Commodity Inspection Bureau, the State Economic Commission, and the Office for Machinery and Electrical Equipment Exports under the State Council.

"To expand exports in this industry is a necessity for the country's future economic development, as similar experience in other countries has proven," Wang Jiuan, a senior official of the inspection bureau, said yesterday.

Compared to large exporters in other industries, China's machinery and electrical equipment export is small. In 1984, those exports amounted to $2.2 billion, accounting for 9 percent of the country's export volume.

Export of these products last year dropped from the 1984 level. But the amount of decrease is still unknown, Wang said.

According to Wang, many developed and developing countries have designated exports of such items as a strategic target for national economic development.

In Japan, for example, electrical products make up 72.8 percent of export volume; in West Germany, 51 percent, and in the United States, 48 percent.

The circular makes it clear that all designated machine and electrical products must obtain a license of quality before they can be exported.

Once a license is obtained, it is not necessarily permanent. Inspection departments may revoke the license of a product if it later falls below quality standards.

All major machine and electrical products are covered by the regulation. The licenses will ensure that products are up to quality standard and properly packaged, Wang said.

Sun Zengxiang, leader of the Office for Machinery and Electrical Equipment Exports, which has been recently established to monitor exports in this sector, said that such manufactures have an important role to play in the country's overall export structure.

For the past few years, machine and electrical equipment exports in China was confined to small hardware and machine tools. But the industry has since diversified and expanded the scope of production.

China's machine and electrical products are mainly exported to Southeast Asia and Latin America.

World competition is intense and China must work to win its share of the market, Sun said.

It should also co-ordinate sales of machine and electrical products with servicing and spare parts supply.

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CSO: 4020/236

SMALL-SCALE ENTERPRISES

HENAN TOWNSHIP, TOWN ENTERPRISES SUPPORT RURAL ECONOMY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 7 Feb 86 p 3

[Article: "Township and Town Enterprises Have Become a Pillar of the Rural Economy in Henan Province, Their Value of Output Exceeds 60 Percent of the Gross Value of Agricultural Output; Adapt to Local Conditions, Use Advantages and Avoid Weak Points, Raise Capital from Many Source, Focus on Development"]

[Text] Township and town enterprises in Henan Province made new progress in 1985. Their value of output surpassed 15 billion yuan, up by 4.93 billion yuan over 1984, and they accounted for more than 60 percent of the gross value of agricultural output in Henan, up from 45 percent in 1984. They have become an important pillar of the rural commodity economy.

In the past, the Henan Province Peoples's Government used intensive survey research as the foundation to achieve stable and sustained development in township and town enterprises and pointed out clearly that by adapting to local conditions, using advantages and avoiding weak points, they have made full use of Henan's convenient communications, large amount of surplus labor and rich advantages in agricultural, forestry and animal husbandry product resources and motivated the masses to raise capital and set up various types of processing plants to increase value through multi-level processing. In addition, they have summarized and extended typical experiences in raising capital to establish enterprises and found a way to deal with capital shortages. According to incomplete statistics, Henan raised nearly 1 billion yuan of capital in 1985 and set up more than 200,000 new enterprises, and the number of people involved rose by more than 1 million.

Xinxiang Prefecture, an area famous for high grain yields throughout China, used its surplus grain advantages and proximity to cities to readjust industrial deployments and product structures in township and town enterprises and made the food industry the focus of their development in the prefecture. The number of collective, private and association-run food plants and a stores passed 500 to 1985 and the amount of grain converted during the year exceeded 140 million jin. Many of their products are sold not only throughout Henan but also are being welcomed by consumers in Beijing, Shanghai, Tianjin, Guangzhou, and other large cities. Some products also have moved into international markets.

The vigorous development of township and town enterprises has provided considerable capital for the development of agriculture, forestry, and animal husbandry. All areas are taking out a specific proportion of the profits from township and town enterprises to improve production conditions and set up various activities to serve agricultural production and the peasants' lives.

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CSO: 4006/766

SMALL-SCALE ENTERPRISES

JIANGSU TOWNSHIP, TOWN ENTERPRISES SUPPORT AGRICULTURE

Beijing RENMIN RIBAO in Chinese 16 Feb 86 p 1

[Article: "Township and Town Enterprises in Jiangsu Strengthen Their Support of Capital Construction in Agriculture, Implement the Principle of 'Using Industry To Subsidize Agriculture, and Establish 'Agricultural Construction Funds' To Promote Stable Growth in Agricultural Production During the Seventh 5-Year Plan"]

[Text] Jiangsu, a province that has seen fairly rapid development of township and town enterprises, proposed in 1986 that township and town enterprises should work harder to "use industry to support agriculture" and raise capital to accelerate capital construction for agricultural materials and technologies and guarantee stable development in agriculture. The Jiangsu CPC Committee and provincial governmental decided recently to set aside a portion of after-tax profits, bonus taxes, and other items in township and town enterprises to establish agricultural construction funds.

Beginning in the 1970's, township and town enterprises in Jiangsu proposed the principle of "organizing industries around agriculture and using industry to promote agriculture." Township and town enterprises throughout Jiangsu not only have provided jobs for about 6 million surplus agricultural laborers but they also have set aside a substantial portion of capital from industrial profits to subsidize agriculture or to participate directly in distribution of benefits to peasants. They have played an important role in achieving sustained, stable and coordinated development of agriculture in Jiangsu. According to statistics, the amount of capital accumulated by township and town enterprises for the purposes of agricultural production and rural construction during the Sixth 5-Year Plan was 2.47 billion yuan. Excellent momentum was maintained in the development of township and town enterprises throughout Jiangsu in 1985 and their value of output has been estimated at 40 million yuan or about one-third of the gross value of industrial and agricultural output, and capital turnover over to townships and villages to subsidize agriculture reached 700 million yuan. As a result, despite natural disasters and readjustments in area over the past 2 years, grain output in Jiangsu still maintained a per capital level of 1,000 jin and there were significant increases in oil crops, pigs, aquacultural goods, sugar, cigarettes, silkworms, tea, and other farm products.

After recent survey research, leading comrades in the Jiangsu CPC Committee pointed out that agricultural development in the future should combine efforts to improve yields with gradual development of management at an appropriate scale to improve agricultural labor productivity. This requires efforts to strengthen the material and technical foundation of agriculture. Although the amount of capital used for agricultural equipment while "using industry to subsidize agriculture" has declined in the past few years, expenditures used for peasant income subsidies and various social activities and collective welfare have increased year after year and generally fall into a roughly 40:60 ratio. In the future, the focus should be placed on strengthening the material and technical foundation of agriculture. Phenomena engendered by "insufficient reserve strengths" like declining land fertility, neglecting conservancy facilities, aging of farm machinery and so on are common in agriculture at present. For this purpose, the Jiangsu CPC Committee and government have proposed clearly that the proportion of "agricultural subsidies" to investments in capital construction in agriculture should provide firmer guarantees for the fundamental status of agriculture in he national economy. According to estimates for southern Jiangsu, a place where township and town enterprises developed rather early, if township and town enterprises used 10 percent of their after-tax profits they could provide 400 to 500 million yuan a year during the Seventh 5-Year Plan and 600 to 700 million yuan a year during the Eighth 5-Year plan. Township and village agricultural construction funds should be used mainly to purchase agricultural machinery and equipment, to repair and build small farmland water conservancy facilities and roads and bridges on farmland, and to build township electrical power lines and other service facilities for agricultural production. The funds are controlled and utilized for cooperative economic organizations and the township level is subject to auditing and supervision by township financial authorities and banks.

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CONSTRUCTION

APPROVAL GRANTED TO BUILD GUANGXI ALUMINUM COMPLEX

HK070537 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 7 Mar 86 p 5

[Article by Paul Sham]

[Text] Beijing has given the nod for the construction of a large-scale aluminium complex in Guangxi Province, according to the president of China National Non-Ferrous Metals Import and Export Corp., Mr Zheng Rugui.

He said the government has been very supportive of the project following the completion of a detailed feasibility study jointly undertaken by the French Pechiney group, Wimpey of Britain, and the Chinese Company.

Mr Zheng is heading a trade delegation which is holding the 15-day China Non-Ferrous Metals and Import and Export Business Discussion, which got underway in Hong Kong yesterday.

"What is left now is to locate the right foreign partners," he said, adding the project is likely to include investors from more than two countries.

Mr Zheng said the company has negotiated with firms from West Germany, Switzerland, and Canada, as well as with Pechiney and Wimpey.

"To meet China's goal of doubling the production of non-ferrous metals by 1990, the foreign partners will be selected within this year," he said.

According to the feasibility report, the project will be completed in phases, with the first phase starting production by 1990.

Phase one, costing U.S. $700 million, comprises an alumina refining plant with an annual production capacity of 300,000 tons and an aluminium smelter producing 100,000 tons.

Mr Zheng said approval of the project was speeded up by the completion of a hydropower station nearby.

"Since aluminium production requires a lot of electricity, the energy provided by coal-fired or oil-fired power plants would be uneconomical," he said.

About 10,000 kilowatt hours of power is needed to produce one ton of aluminium.

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DOMESTIC TRADE

COMMODITY RETAIL MARKET STABLE DURING JAN-FEB

OW190953 Beijing XINHUA in English 0901 GMT 19 Mar 86

[Text] Beijing, 19 Mar (XINHUA)--Commodity retail sales in China totaled 72.59 billion yuan in the first two months of this year, up 7.8 percent over the same period last year, today's ECONOMIC DAILY reported.

The Chinese market has slowed down and stabilized due to currency controls established by the central government. Currency was withdrawn from circulation in January and February rather than put into circulation, as was done last year.

The amount of consumer goods purchased by enterprises in the first two months went up by one percent over 1985, down from a 43.6 percent increase in the first two months of 1985 over that of 1984.

State-run shops purchased 34.3 billion yuan worth of industrial goods in the first two months, an increase of 1.1 percent over the same period last year. Durable goods, including color television sets, electric fans, washing machines and refrigerators, registered a big increase.

According to statistics provided by 30 large department stores, the sale of cassette recorders in January and February dropped by 9.4 percent compared to the same period last year. But the sale of high-grade recorders was 4.6 times higher than the same period last year.

The sale of single-tub (wash cycle only) washing machines dropped by 67 percent and double-tub washing machines (wash and spin cycles) rose by 57.6 percent. Summer clothes sold well in January and February, according the statistics.

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CSO: 4020/245

DOMESTIC TRADE

CONSUMER SPENDING INCREASES IN LARGE CITIES

OW240830 Beijing XINHUA in English 0647 GMT 24 Mar 86

[Text] Beijing, 24 Mar (XINHUA)--Spending on consumer goods in Beijing, Shanghai and Tianjin this year is expected to increase at least 15 percent over last year, today's ECONOMIC DAILY reported.

Commercial departments in the country's three largest cities predicted that consumer spending would rise 16 percent to 15 billion yuan in Beijing, 15 percent to 7.8 billion yuan in Tianjin, and 15.6 percent to 18.5 billion yuan in Shanghai.

The demand for high-ticket domestic electrical appliances such as televisions, refrigerators, washing machines and cassette recorders will continue to grow while that for alarm-clocks and sewing machines will continue to drop.

In Beijing, consumers show growing interest in electric heating units, decorative lamps, tonic medicines, cosmetics and cameras and cotton cloth, silk fabrics, and leather and sport shoes. Interest in western suits and plastic shoes is fading.

Electronic and lady's mechanical watches are popular in Tianjin and the demand for pianos cannot be met.

People in Shanghai will spend more money this year for clothing and durable goods than for food. Consumers will spend more on non-staple foods, allowing the spending on staple foods to fall to 10.4 percent. Nutritious, instant, and prepared food will be popular and the sale of coordinated clothing will be up 10 percent this year over last.

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FOREIGN TRADE AND INVESTMENT

ADJUSTMENT OF TAX BREAKS TO FOREIGN INVESTORS DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 8, 5 Aug 85 pp 25-27

[Article by Sun Nanshen [1327 0589 3947]: "On China's Preferential Tax System Concerning Foreign Investment"]

[Text] I. Characteristics of China's Preferential Tax System Concerning Foreign Nationals

Tax preference is a preferential measure widely adopted by developing countries to encourage foreign investment. It is also the main content of preferential treatment for investors. Because the tax policy of the host country affects the amount of returns on investment, it is one of the crucial questions that foreign investors must consider before they invest. The guiding ideology of China's preferential tax system concerning foreign nationals is to remain attrative to foreign investors on the prerequisite of safeguarding state rights and interests. According to China's tax law concerning foreign nationals, only a few categories of taxes are levied on foreign investment. In addition to customs tariffs, there are mainly two kinds--income tax and uniform industrial and commercial taxes. The former is calculated according to enterprise profits; the latter are calculated according to the sales volume of products and are included in production costs. The main principles of preference are "light taxation, generous preferential treatment, and simple procedures." "Light taxation" is demonstrated as low tax rates, and "generous preferential treatment" is demonstrated as tax reduction and exemption. Preference is demonstrated through comparison.

First, compared with the existing enterprises of the host country, foreign investors demand at least indiscriminatory treatment in taxes, to avoid the risk of high taxes. This constitutes no problem in China, because the income taxes of foreign enterprises and Chinese-foreign joint ventures are levied according to progressive and fixed tax rates respectively. The lowest income tax rate of foreign enterprises is 20 percent and the highest is 40 percent. When 10-percent local income taxes are added, their actual tax payment is between 30 and 50 percent. The income tax rate of joint ventures is 30 percent, when 10-percent local taxes calculated according to the amount of tax payment are added, their actual tax payment is 33 percent. (In special economic zones, the income tax rates of both kinds of enterprises are all

fixed at 15 percent.) Compared with China's state-run enterprises, these two tax rates are both on the low side. According Ministry of Finance stipulations issued in 1983, all profit-making large and medium-sized state-run enterprises in China should pay taxes according to a fixed rate, which is 55 percent, and all small enterprises should pay taxes according to an eight-level progressive tax rate of which the highest level is also 55 percent. In regard to uniform industrial and commercial taxes, China uses the principle of "going for the lower one." In other words, if the rate of uniform industrial and commercial taxes levied on Chinese-foreign joint ventures and cooperative enterprises is higher than the current rate of domestic industrial and commercial taxes (suitable for state-run enterprises), the former will be collected according to the rate of the latter. If the rate of uniform industrial and commercial taxes is lower than the rate of industrial and commercial taxes, the former will be collected according to the original rate. The principle is to go for the lower rather than the higher one. Moreover, if enterprises concerning foreign nationals which produce export products have difficulty paying taxes according to stipulations, they may apply for reduction or exemption of uniform industrial and commercial taxes. This is what state-run enterprises cannot enjoy.

Second, China's tax rates are also on the moderate and low side compared with the enterprise income taxes (corporation income taxes) of investors' countries. This is extremely important to foreign investors because the fact that the tax rate of the host country is lower than the tax rate of their own country is also a reason why they are investing in foreign countries. Corporate tax rates are 52 percent in Britain, 50 percent in France and the United States, and 50.7 percent in Japan.

Last, China is compared with some developing countries. Before investing, foreign investors always compare China with some countries in Southeast Asia to decide where to invest. Compared with these countries, China's enterprise income tax rate is also on the moderate and low side. For instance, the enterprise income tax rate is 55 to 65 percent in India, 45 percent in Indonesia, and 40 percent in Malaysia. At the same time, China only levies a 10-percent remittance tax on investment returns according to the amount remitted, whereas the remittance tax is 20 percent in both Indonesia and South Korea. However, China's tax reduction and exemption period is shorter compared with these countries. For instance, newly established joint ventures which will be in operation for over 10 years may enjoy tax exemption in the first and second year and 50 percent of tax reduction in the third year beginning from the year they first make profits; whereas in all Southeast Asian countries, they can apply for over 5 years of tax exemption.

II. On the Issue of the Practical Results of Tax Preference

The purpose of adopting preferential taxes is to attract foreign investors. From this perspective, China's preferential tax system has generated some definite benefits, but it has not yielded the expected results. There is an opinion at home which thinks that China's tax rate is too high and needs to be lowered and that China's tax exemption period is too short and needs to be extended. This is a question demanding careful study and consideration of other related factors:

1. The question of tax credit and exemption: Taxing foreign investors is not a simple question of distributing income between a host country and investors. It concerns the division of rights and interests, especially income taxes, between countries. After an enterprise either funded by or involving foreign nationals earns profits in China, it should pay taxes to China, but its investors should also pay taxes to their own country. This is where the question of double taxation arises. According to the principle of giving priority to regional jurisdiction, the investor's country is generally considered to be responsible for solving the problem of double taxation. Sometimes this is solved by signing a bilateral tax agreement between countries. There are two ways of avoiding double taxation: credit and exemption systems. Under the credit system, the investor's country maintains the right to levy taxes on the investor's overseas income while investors are allowed to deduct the amount of taxes they have paid in the host country from the amount of taxes they are supposed to pay at home. Under the exemption system, the government of investor's country exempts investors from paying taxes on the income they earned overseas. In fact, at present, most countries have regulations on automatic allowance of tax credit in their domestic tax laws, and tax credit has already become a universally recognized international practice. Very few countries--only France and Holland--use the tax exemption system and that is under additional restrictive conditions. Neverthless, there are also countries that employ the tax exemption system in bilateral tax agreements. In the past few years, since many developing countries have adopted tax reduction and exemption preferential measures, a corresponding tax concession and credit system has appeared in tax treaties. Under this system, the investor's country gives credit to tax reduction and exemption specified in the tax law of the host country and does not levy additional taxes according to domestic tax rates. Developing countries generally do not like to stipulate the tax concession and credit system in domestic tax laws. Instead, they draw up such rules through bilateral tax treaty negotiations. For instance, Britain, France, West Germany, and Japan have done this.

2. Conditions for the success of tax preference: From the perspective of taxation, foreign investors can gain real benefits from the host country only under the following two conditions: first, when investors come from companies or enterprises in "free ports" or "duty-free ports" (because they are low-tax or tax-free areas, there is no such problem as double taxation and tax credit); and second, when a bilateral tax agreement is signed on adopting a tax exemption or concession system. Under ordinary tax credit systems, in spite of the lower tax rates and tax reduction and exemptions of China's preferential system, the government of the investor's country can make up the difference by levying taxes according to domestic tax rates. This to varying degrees enables foreign governments to collect taxes that belong to China,thus forfeiting China's rights and interests to foreign countries. Therefore, the unilateral tax reduction and exemption preferential treatment of the host country can only result in the transfer of state revenue between countries instead of giving actual encouragement to investors. China must step up efforts to negotiate and sign tax agreements with developed Western countries and use preferential tax measures as catalysts to speed up the progress of foreign investment and play a genuine role in absorbing foreign investment. Some developing countries allow a longer period of tax reduction and exemption compared with China, but some of them give such preferential treatment on the

basis of signing bilateral tax agreements. For instance, Malaysia and Singapore have signed bilateral tax agreements with a dozen countries including Japan, Britain, Danmark, and Norway, whereas China has to date signed such agreements with only the United States and Japan.

3. Proper estimation of the effect of tax preference: Tax preference is not a decisive factor in attracting foreign investment. The key to determining the direction of investment lies in whether investment and operational results are good or bad and whether profits are high or low. If investment returns are great, in spite of a higher tax rate in the host country, foreign investors still benefit because base profits are higher; conversely, if investment returns are small, in spite of a lower tax rate in the host country, foreign investors still cannot earn much profits. Therefore, this kind of preferential treatment cannot really serve its purpose. Legal protection of investment, markets, prices, supply of raw materials, investment and operational results, and other factors all have vital bearing on investment returns. If we fail to handle these problems properly, foreign investors would refuse to invest in China for fear of difficulties in making profits no matter how low the tax rate is. Therefore, while studying the practical results of tax preference, we should consider these problems and adopt some practical and effective measures.

III. Suggestions for Readjusting Preferential Taxes

1. Custom tariffs and uniform industrial and commercial taxes: Under the current situation, to further relax tax policies, we should first consider custom tariffs and uniform industrial and commercial taxes. First, machinery equipment and other goods and materials shipped by investors to the host country should be exempted from custom tariffs and other industrial and commercial consolidated taxes during the process of import. Since the prices of machinery are high, exemption of import tariffs can lower the cost of investment and production for investors and achieve immediate results. Exemption of uniform industrial and commercial taxes (namely sales taxes) can lower the sales prices of products, make products more competitive on the market, and thereby benefit investors. China's preferential measures in these two areas have been basically successful. However, some problems still exist, and further readjustment appears necessary.

First, in order to encourage exports, we suggest that enterprises involving foreign nationals that produce export products be exempted from import tariffs to replace the current stipulation of 85- to 95-percent tax exemption.

Second, enterprises involving foreign nationals which sell part of their products on the domestic market may be given a certain percentage of tax reduction, say 30 percent reduction in import tariffs and uniform industrial and commercial taxes, when they adopt advanced technology which is urgently needed in China or related to China's key construction projects.

Third, export products of export enterprises may be exempted from uniform industrial and commercial taxes (sales taxes). At present, China levies taxes on enterprises involving foreign nationals according to the principle of "going for the lower rate."

2. Enterprise income taxes: First of all, we should sign bilateral tax agreements with countries concerned as soon as possible. Only after adopting the tax exemption or concession system on this basis should we consider whether to further relax restrictions on the preferential treatment of enterprise income taxes. For instance, we may consider adopting the following preferential measures:

First, we may extend the tax exemption period; for joint ventures, it is proper not to exceed 5 years.

Second, joint ventures will not be taxed according to the income tax law of foreign enterprises. Instead, they should be taxed according to the income tax law of cooperative enterprises; the tax rate should not exceed 30 percent. Investment projects which play an important role in the development of China's national economy or bring in advanced technology may be given a certain period of tax exemption and reduction, say 3 years. In sum, the nature of the enterprise should be considered when determining the tax exemption period for either a joint venture or cooperative enterprise. For enterprises with a small amount of investment and a short period of investment recovery, the tax exemption period may be shorter; for those with highly intensive capital and a long investment recovery period, the tax exemption period may be longer or preferential treatment in the form of lower tax rates may be granted.

Third, joint ventures which have a large amount of investment and adopt advanced technology urgently needed by China should be exempted from remittance taxes on investment returns.

3. Legal procedures: Various forms of preferential tax treatment to foreign investors must have a legal basis and undergo legislative procedures. At present, there are already some measures of further deregulation in China's preferential tax policies (such as joint ventures which are exempted from taxes in the first and second year, receive 50-percent tax reduction in the third year, and are taxed according to lower uniform industrial and commercial tax rates). These measures have already been implemented. Especially in the 14 open cities on the coast, foreign investors have already been given tax treatment more favorable than in inland China. All these must quickly go through legislative procedures. On the one hand, this is to make foreign investors pay taxes according to law and win their trust with legal procedures; otherwise, investors would have unnecessary doubts and misgivings. On the other hand, this is to gain international recognition and tax concession and credit, which are impossible without going through legal procedures even if China grants the preferential treatment of tax reduction and exemption.

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FOREIGN TRADE AND INVESTMENT

IMPACT OF INVESTMENT, DEPRECIATION ON JOINT VENTURE TAXES

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 8, 5 Aug 85 pp 28-31

[Article by Liu Zhibiao [0491 1807 1753]: "Impact of Investment and Depreciation on Joint Venture Income Tax"]

[Text] The Detailed Rules and Regulations for the Enforcement of the Income Tax Law of the PRC Concerning Joint Ventures with Chinese and Foreign Investment, promulgated by the Ministry of Finance, prescribe the shortest depreciation periods for three types of fixed assets of joint venture enterprises. These enforcement regulations not only manifest China's flexible policy of favorably shortening depreciation, but also a policy of encouraging the reinvestment of profits by the partners.

What impact and effect will the acceleration of depreciation and the reinvestments have on the taxable amounts of Chinese-foreign joint ventures? This question has a bearing not only on the attractiveness of foreign investments, but also on how the interests of the Chinese side may be accurately reflected. It is generally accepted among theorists that accelerated depreciation delays payment of income tax, and that reinvestment pushes the date for tax payments even further away. However, the concrete impact of these two factors on the collection of taxes from joint ventures, especially its quantitative analysis, has so far never been systematically and thoroughly studied in China, and it is to this issue that the present article will speak.

At the start of our study, we must first clarify two preconditions:

First, since we are going to study the concrete impact of depreciation and reinvestment methods of the enforcement regulations to the income tax law, we will have to proceed according to the depreciation method prescribed in the enforcement regulations. Article 12 of these regulations prescribes that the "depreciation of the fixed assets" of a joint venture "shall generally be calculated on average by using the staight line method." In my opinion, since it is the straight line method of depreciation, it will also reflect the substance of "accelerated depreciation," because speedy or slow depreciation is not judged by increases in the amount of depreciation in the present period as compared with the amount in the preceding period, but by whether the years of depreciation of the fixed assets have been shortened.

Second, to simplify the process of quantitative analysis, we take the average annual growth rate of fixed asset investments as representing the conditions of reinvestment. In this way, if viewed from the standpoint of the individual joint enterprises, since investments will be made to different places, some into the enterprise and some into other enterprises, and since, furthermore, the individual enterprise will not increase its reinvestments every year at the same rate, the above assumption, applied to an individual case or the overall situation, appears to be inappropriate. However, if viewed in overall perspective or macroeconomic perspective, the said assumption can still be found acceptable. As far as the finance departments and the state are concerned, what is required is presicely this macroeconomic conclusion.

In the following we shall discuss the relationship between investment, depreciation and taxation of joint ventures under three conditions, which are delineated according to the differences in investment methods and speed of depreciation.

Condition 1: Differences in Taxation in the Case of One-Time Investment and in the Case of Continuous Investments

One-time investment refers to the method of investing a certain amount of fixed assets by the joint partners at the start of the joint venture, without any further investments of fixed assets being made later during the joint operations of the joint venture. Continuous investments refers to repeated new investments of certain amounts of fixed assets made every year by the joint partners, in addition to the initial investment of a certain amount of fixed assets made at the start of the joint operations. How do these two different methods of investments show up in the income tax collections or remittances of the joint ventures?

Let us assume:

Co = investment of fixed assets at the start of the joint venture;

r = average annual growth rate of fixed asset investments (showing a pattern of a continuous nature of investments);

R = fixed number of years of depreciation for fixed assets in accelerated depreciation;

t = years that have passed since establishment of the joint venture (if this article designates periods for the duration of the joint venture that are longer than the fixed number of years of depreciation prescribed in the tax law, it means assuming an average number of years of depreciation of all fixed assets, from a macroeconomic perspective);

D_1, D_2 denote the annual average amounts of depreciation under conditions of one-time investment and continuous investments, respectively.

Under precondition 1, we know that under conditions of one-time investment, the average annual amount of depreciation

$$D_1 = Co/R \tag{1}$$

Under the condition of continuous investments, the computation of average annual amounts of depreciation of the fixed assets is somewhat complex. If $t \leq R$, it means when the joint venture time has not yet exceeded the fixed number of years set for accelerated depreciation in the tax law, since investments proceed according to r, therefore, in t number of years, the total amounts of fixed assets accumulated in the continuous investments is:

$$\begin{aligned} &Co + Co\,(1+r) + Co\,(1+r)^2 + \ldots + Co\,(1+r)^t \\ &= Co\,[1 + (1+r) + (1+r)^2 + \ldots + (1+r)^t] \end{aligned} \tag{2}$$

The values within brackets in Formula (2) are geometrical series. Using them to obtain a formula, we know that their sum is $(1+r)^t - 1/r$.

Thus Formula (2) becomes

$$Co \times \frac{(1+r)^t - 1}{r} \quad (t \leq R) \tag{3}$$

because $D_2 =$

$$Co \times \frac{(1+r)^t - 1}{Rr} \quad (t \leq R) \tag{4}$$

From Formulas (1) and (4) we can obtain a comparison of annual depreciation amounts under the two different conditions:

$$\frac{D_2}{D_1} = \frac{(1+r)^t - 1}{r} \quad \text{或} \quad D_2 = D_1 \times \frac{(1+r)^t - 1}{r} \tag{5}$$

From Forumla (5) we see that t = 1-time, that is, that in the first year of the joint venture $D_2 = D_1$; as t gradually increases in value, that is, when the number of years for the venture are lengthened, ($t \leq R$) the difference between D_2 and D_1 gradually widens. The reasons are very obvious, although the rate of depreciation is set the same for both methods of investments, depreciation figured at the 1/R ratio for the fixed assets introduced in continuous investments, will result in $D_2 > D_1$. Formula (5) shows that the depreciation charge computed for continuous investments is $(1+r)^t - 1/r$-fold that of the one-time investment. (t = 1, 2, ... R)

We must mention here that if t>R, i.e. if the original value of fixed assets, introduced R years before, has been fully depreciated and accordingly written off in the statement of assets of the enterprise, there is still a leftover in values of fixed assets under conditions of continued investments:

$$\begin{aligned} &Co\,(1+r)^{t-R} + Co\,(1+r)^{t-R-1} + \cdots + Co\,(1+r)^t = \\ &\frac{Co\,(1+r)^t\,[1 - (1+r)^R]}{r} \quad (t > R \quad t = R+1,\ R+2,\ \cdots) \end{aligned} \tag{6}$$

Thus it is still possible to deduct an amount of depreciation every year:

$$D_t = \frac{Co\,(1+r)^t\,(1-(1+r)^R)}{rR} \quad (t=R+1,\ R+2,\ \cdots) \tag{7}$$

Because under the condition of a one-time investment full depreciation has already taken place, the pattern of relationships shown in formula (7) is the D_2 and D_1 difference between continuous investments and one-time investment when t>R.

The Chinese tax law prescribes that the taxation of joint ventures shall be carried out according to the amount of their profits according to a fixed rate of 33 percent (see Articles 2 and 3 of the Joint Venture Income Tax Law). On this basis it is not difficult to obtain the difference between the taxation of the incomes of the two kinds of investments.

If under the conditions of one-time investment and continuous investments, the sales returns of the joint venture and the level of production costs are the same (here referring to costs after deducting depreciation charges), then the difference in the income tax taxation is:

$$S = D_t \times 33\% \times \frac{r+1-(1+r)^t}{r} \qquad (t \leq R) \tag{8}$$

In consideration of the fact that an enterprise with continuous investments will generally be in a better position to make profits than an enterprise with one-time investment, we have:

$$S' = \left(Y - X - D_t \times \frac{(1+r)^t - 1}{r} - Y' + X' + D_t\right) \times 33\%$$

$$= \left[(Y-Y') - (X-X') + D_t \times \frac{r+1-(1+r)^t}{r}\right] \times 33\% \qquad (t=1,2,3,\ldots,R) \tag{9}$$

In Formula (9), y and y' are annual sales income under the two types of investment patterns; X and X' are their costs (having deducted the annual depreciation portions).

Condition 2: Difference in Income Tax Under Different Speeds of Investment

Continuing the use of the same symbols as under condition 1, we can obtain from Formulas (2), (3), and (4):

$$D_1' = Co \times \frac{(1+r_1)^t - 1}{r_1 R}, \quad D_2' = Co \times \frac{(1+r_2)^t - 1}{r_2 R} \tag{10}$$

In Formula (10), D_1' and D_2' are annual depreciation amounts deducted under the conditions of speed of the two types of investment patterns; r_1 and r_2 are the two different investment speeds (in which $r_2 > r_1$).

If $t \leq R$, that is, if the fixed investments introduced R-years ago are still not yet written off from the balance sheet, we have:

$$\frac{D_2}{D_1} = \frac{r_1}{r_2} \times \frac{(1+r_2)^t - 1}{(1+r_1)^t - 1} \quad \text{或者} D_2 = \frac{r_1 D_1}{r_2} \times \frac{(1+r_2)^t - 1}{(1+r_1)^t - 1}$$
$$(t = 1, 2, \cdots R-1, R) \tag{11}$$

If $t > R$, that is, if the fixed assets introduced R years ago have been written off from the balance sheet, and if investment proceeds under the r_1 rule, the remainder of the original value of the fixed assets on the balance sheet is:

$$Co\,(1+r_1)^{t-R} + Co\,(1+r_1)^{t-R-1} + \cdots + Co\,(1+r_1)^t$$
$$= \frac{Co\,(1+r_1)^t \left[1 - (1+r_1)^R\right]}{r_1} \tag{12}$$

For the same reason, the original value of the fixed investments under the condition of investments proceeding according to the r_2 rule would be:

$$\frac{Co\,(1+r_2)^t \left[1 - (1+r_2)^R\right]}{r_2} \tag{13}$$

Therefore, if $t > R$, $\quad \frac{D_2}{D_1} = \frac{r_2}{r_1} \times \left(\frac{1+r_1}{1+r_2}\right)^t \times \frac{1 - (1+r_1)^R}{1 - (1+r_2)^R}$ (14)

As to when $r_2 > r_1$, the analysis of income tax collection can be carried out according to condition 1; we need not go into further detail here.

Condition 3: Differences in Income Tax Under Two Different Speeds of Depreciation

The enforcement regulations of China's tax law prescribe that "a joint venture which needs to accelerate depreciation or change the method of depreciation of its fixed assets due to special reasons may submit an application for examination by the local tax authorities who shall subsequently report level by level to the Ministry of Finance for approval." The following are such cases of "special reasons": (1) If the term of the joint venture is shorter than the years of depreciation set by the tax law and the assets on completion of the term of the joint venture revert as property to the Chinese side. (2) Cases of easily spoiled equipment and factory buildings and constructions exposed for many years to vibrations. (3) Machinery and equipment in very intensive use. The depreciation speed mentioned here is, according to my understanding, a further acceleration on the basis of accelerated depreciation possible according to the tax law for the three kinds of equipment and structures. This further acceleration is bound to have a certain impact on the collection of income tax by the Chinese side, and is an even more

favorable treatment for the joint venture enterprises; it is therefore necessary to study this policy carefully.

In the same way, we can see from Formulas (2), (3), and (4):

$$D_1'' = \frac{(1+r)^t - 1}{rR_1}, \quad D_2'' = \frac{(1+r)^t - 1}{rR_2} \tag{15}$$

In Formula (15), D_1'' and D_2'' is the depreciation charge under the conditions of the two types of depreciation speeds. R_1 and R_2 are the regular number of years of depreciation prescribed in the tax law and the number of years for accelerated depreciation due to special reasons. ($R_1 > R_2$)

In condition 3 it is also possible to study in two stages:

First stage, if $t < R_2 < R_1$, we know from formula (15):

$$\frac{D_2''}{D_1''} = \frac{R_1}{R_2} \text{ 或 } D_2'' = D_1'' \times \frac{R_1}{R_2} \tag{16}$$

That means, at the time when the term of the joint venture does not yet exceed the number of years R_2 of accelerated depreciation, the depreciation charge, according to $1/R_2$, is R_1/R_2 times $1/R_1$.

Second stage, if $R_2 \leq t < R_1$, we know from Formulas (12) or (13):

$$D_1'' = \frac{Co\,(1+r)^t\,[\,1-(1+r)^{R_1}\,]}{rR_1}; \quad D_2'' = \frac{Co\,(1+r)^t\,[\,1-(1+r)^{R_2}\,]}{rR_2} \tag{17}$$

Thus obtaining

$$\frac{D_2''}{D_1''} = \frac{R_1}{R_2} \times \frac{1-(1+r)^{R_2}}{1-(1+r)^{R_1}} \tag{18}$$

A simple analysis of Formulas (16) and (18) reveals that the accelerated depreciation for special reasons will allow payment of less income tax than in case of the normal depreciation prescribed by law, and if the investments are being continuously carried out, then there will be continuously less tax to pay.

The accelerated depreciation method, which helped to reduce tax payments, plays an important role in the process of attracting foreign investments. Especially in the present situation, when China has not yet signed agreements with most countries for the prevention of double taxation, it may use the fact that foreign businessmen coming to invest are granted so much more preferential treatment as a more effective and powerful way of attracting foreign capital. Of course, on the other hand, to realize a proper income for the Chinese side, we could use a flexible accelerated depreciation policy, instead of a policy of granting prefential treatment by reducing taxes or exempting from taxes. We may formulate: all enterprises that enjoy the favorable treatment of accelerated depreciation shall not also be entitled to

any favorable treatment by way of tax reductions or exemptions. On this question, the most important factor is the "extent" of the limits in benefits, which requires us to precisely compute and analyze the relationships between depreciation, investments, and income tax revenue. When carrying out such analyses and computations, we must give consideration to the sales returns of the joint venture enterprises and the level of their production costs. Because differences will arise on this issue depending upon the differences of places and trades, we shall not discuss this topic further; but the formulas presented in this article may be used in basic analyses of the issue.

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FOREIGN TRADE AND INVESTMENT

PROSPECTS FOR CHINESE-SINGAPOREAN ECONOMIC COOPERATION

Beijing LIAOWANG [OUTLOOK] in Chinese No 39, 30 Oct 85 p 7

[Article by Gu Wenfu [7357 2429 4395] and Zhu Minzhi [2612 2404 0037]: "Expand the Field of Chinese-Singaporean Cooperation; Report on Prime Minister Lee Kuan Yew's Visit to China"]

[Excerpt] Developing economic cooperation is the common wish and need of China and Singapore. During this visit to China, Lee Kuan Yew repeatedly emphasized "the existence of broad cooperation between China and Singapore." In the past 20 years, Singapore's economy has developed by leaps and bounds. In the past, this island country which had only 2.5 million people was nothing but a transfer port. But because the Singaporean government fully used geographical advantages, formulated policies suitable for its national conditions, opened up to foreign countries, and imported foreign funds, technology and personnel, it opened up a road to high speed modernization. However, in recent years, due to international economic depression and the influence of protectionism, Singapore's economy has had some difficulties. In the second half of 1983, it began to decline. In the second quarter of 1985, it began to have a negative growth rate. Facing this situation, Singapore needs to seek new economic cooperation and trade partners. Lee Kuan Yew himself also thinks that Singapore's economy is in depression and "it must seek new field of growth" and "quickly resume the ability to compete within 2 to 3 years." China, which is carrying out the four modernizations, is an economic cooperation and trade partner of great potential. To implement the open door policy, China needs foreign funds, technology and personnel to accelerate economic development. Therefore, to China, Singapore is also a possible cooperation partner. During the meeting with Prime Minister Lee Kuan Yew, Premier Zhao Ziyang emphatically pointed out that China has always paid great attention to Singapore's experience in economic construction and that there is great potential for cooperation between the two countries.

Accompanying Lee Kuan Yew in this visit were a number of ministers and high-ranking officials from economic, trade, industrial and commercial departments. During the visit, both sides vigorously and thoroughly discussed the new fields and ways of expanding Chinese-Singaporean economic cooperation. Both sides believe that there is a lot more room for trade development between them. Trade volume between the two countries exceeded $1.4 billion in 1984 and is expected to reach $2 billion in 1985. This time, both sides hoped that they

can carry out long-term cooperation in regard to petrochemical products. Both sides are optimistic about developing Chinese-Singaporean trade. The Chinese side said that China will not abandon old trade partners and traditional trade channels on account of new trade partners and that Chinese-Singaporean trade will make further development on original basis.

In the past few years, over 20 projects of economic cooperation between the two countries have been completed and over 150 projects are being negotiated or have already reached agreement. These cooperation projects cover hotels, building construction, the petrochemical industry, urban housing, electronics and harbor management. Since 1983, there have been over 30 cases in which Singaporean businessmen came to invest directly in China or carried out cooperative projects. The total amount of their investment is over $80 million, distributed over 12 provinces and municipalities of China. During Lee Kuan Yew's visit, both sides hoped that an agreement will soon be reached on Chinese-Singaporean double exemption of dual taxes on which the first round of talks had already been completed. Both sides also carried out talks on signing an agreement on the investment protection of the two countries.

The Singaporean side expressed that Singaporean enterpreneurs hope that they can directly deal with all provinces and municipalities of China, including not only open cities on the coast but also other regions in inland China. The Chinese side hoped that the Singaporean government would encourages enterpreneurs to invest in China or join investment with other countries in China.

Both sides also discussed cooperation in tourism, banking and civil aviation. Both sides believe that developing tourism will be a potentially great field of cooperation between the two countries and that they will take further actions to adopt concrete measures.

During this visit, both sides also vigorously discussed the cooperation between the two countries in regard to personnel training. In June 1985, Goh Keng Swee, the former first deputy prime minister of Singapore, accepted China's offer to assume the position of economic advisor for China's coastal development. During this visit, Lee Kuan Yew said China is welcome to send people to Singapore to accept training. He said they may be managed together with Singapore at airports, harbors, factories, mines, posts and telecommunications offices, tourism and travel departments and computer centers. The Chinese side also welcomed Singaporeans to work in China, either at higher or lower levels, as advisors, plant directors, managers or workshop directors. Both sides thought many favorable conditions exist in personnel exchange between the two countries and there are bright prospects for cooperation in this field.

During his 2-week visit, Lee Kuan Yew toured seven places from the north to the south. Compared with his last visit 5 years ago, he thought "China has changed greatly in all fields" and "China's open door policy in foreign trade, investment and technology will inevitably change its economy completely." When noticing that leaders receiving him in all areas were young, energetic, practical and had great faith in their future, he said this indicates that there is great hope in China.

During his tour in Shanghai, Shandong and Xi'an, Lee Kuan Yew noticed such problems and shortcomings as poor management of hotels, backward highway facilities, and the negligence of production efficiency in factories and made frank criticism and suggestions to Chinese leaders. He said: I am an old friend of China; therefore, I speak frankly and sincerely about my views and impressions. Zhao Ziyang thanked Lee Kuan Yew for his sincere criticism and called him a real friend who would give forthright admonition.

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FOREIGN TRADE AND INVESTMENT

ACADEMY OF SCIENCES SELECTS ITEMS TO BE EXPORTED

OW191325 Beijing XINHUA in English 1251 GMT 19 Mar 86

[Text] Beijing, 19 Mar (XINHUA)--The Chinese Academy of Sciences has selected more than 400 products and services to be exported to the world market.

The Institute of Microbiology of the Chinese Academy of Sciences last year transferred its production technique of fermenting vitamin C to a Swiss firm.

The academy's Shanghai institute of silicate research has signed a three-year contract with foreign research organizations to supply bismuth germanate crystal, used in high-energy physics research. The contract is worth three million U.S. dollars.

The technology for lowering the processing temperature of polypropylene spinning, developed by the academy's institute of chemistry, has also been exported to other countries.

A leading official from the academy's new technology development bureau said many technologies and products have drawn the interest of foreign firms. They include high-efficiency tool holding devices, new fluorine plastics, amino acid production technology and crystal producing technology.

The academy's technology and products in the fields of materials science, information science and bio-engineering have broad prospects on the world market.

The academy's 36 research institutes in Beijing and Shanghai have established relations with 14 countries and regions and signed 41 agreements on joint management, joint development of technology and products, technical service and sales of products. Another 35 items for cooperation are now under discussion.

The Shanghai institute of medicine research has transferred its anti-tumor chemical compound to a Japanese pharmaceutical company and has applied for six patents in Japan. The institute has also designed the synthesis of new medicine at the request of some Japanese firms. The Japanese will provide relevant scientific research facilities and materials to the institute.

The Chinese Academy of Sciences has set up joint ventures with foreign firms, thus allowing the academy's research to become products as early as possible.

Recently, the China national nonferrous metals industry corporation transferred emulsified explosives technology to the Nobel company of Sweden. Under an agreement, Nobel will build the first factory in Sweden to adopt Chinese technology and will send employees to China for technical training. Chinese explosive experts will go to Sweden to advise the Nobel company.

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CSO: 4020/245

FOREIGN TRADE AND INVESTMENT

JIANGSU FOREIGN TRADE SEMINAR 'SUCCESS'

OW121831 Beijing XINHUA in English 1522 GMT 12 Mar 86

[Text] Nanjing, March 12 (XINHUA)--A 12-day foreign trade seminar ended here today in this capital city of Jiangsu, which is one of China's most developed provinces.

Over 2,000 overseas businessmen from 30 countries and regions took part in the seminar, which has been described by local trade officials as "a success."

Contracts, agreements, memorandums, and letters of intent were signed during the talk for 68 projects to introduce foreign funds, according to the officials.

The overseas businessmen have been most interested in Jiangsu's textile, light industry, electronics, machinery, and handicraft industries, said the officials.

They noted that it was the first "comprehensive" provincial foreign trade seminar Jiangsu has ever held.

Jiangsu's total output value of industry and agriculture ranks first in the country.

The province already has about 150 enterprises with foreign investment, the officials said.

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CSO: 4020/235

FOREIGN TRADE AND INVESTMENT

SICHUAN INCREASING FOREIGN INVESTMENT, TECHNOLOGY

OW071854 Beijing XINHUA in English 1844 GMT 7 Mar 86

[Text] Chengdu, March 7 (XINHUA)--Sichuan Province in Southwest China will increase the introduction of foreign funds and technology items by three to four times in the 1986-1990 period, compared to the past 7-year period.

An official of the provincial Economic Planning Committee said here today that the province had signed contracts on 301 technology items involving 220 million U.S. dollars and 207 foreign investment projects worth 170 million U.S. dollars between 1979 and 1985.

The technology items and foreign funds to be imported will be used mainly in major enterprises in the light industry, textiles, machinery, electronics, and food processing fields, as well as in upgrading existing industrial businesses.

Last year the province signed 190 contracts on technology items with a dozen countries and regions including Italy, Japan, Sweden, the Federal Republic of Germany, the United States, and Hong Kong, and Macao. These items involved a total of 130 million U.S. dollars.

Most of the items were used in the textiles, electronics, and machinery, instrument-making, building material, food-processing, and light industries.

Sichuan reached agreement on 23 contracts on Sino-foreign joint ventures and cooperation last year. They involved a total investment of 69 million U.S. dollars, of which 44 million U.S. dollars came from foreign firms.

To attract more foreign investors, the Sichuan provincial government is offering a series of preferential policies.

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FOREIGN TRADE AND INVESTMENT

LIAONING PORT INVESTS IN FOREIGN JOINT VENTURES

OW200240 Beijing XINHUA in English 0226 GMT 20 Mar 86

[Tide of Investment Flows in Northern Port -- Xinhua headline]

[Text] Shenyang, 20 Mar (XINHUA)--Authorities in Yingkou, Liaoning Province, have clinched deals worth 85 million U.S. dollars of foreign investment since China's open policy was launched in 1979, according to Mayor Xu Shilian.

The money has been invested in 153 Sino-foreign joint ventures and co-operative enterprises, which have opened in Yingkou, China's northernmost port city.

Last year, the city absorbed 32,790,000 dollars of foreign funds and technology, 45 percent more than in 1984, and this year, the figure is expected to top 35 million dollars.

Last March, the government gave the city some of the powers enjoyed by the 14 coastal cities which were opened to foreign trade and investment in 1984.

These powers include the right to examine and approve foreign investment plans, and this resulted in the introduction of 12 production lines and 395 items of advanced technology. More than 60 factories were modernized.

Yingkou, to the north of the Bohai Sea, has two harbors, and good transport facilities.

So far, the city has imported funds and technology from more than 20 countries and regions in the form of cash payments, compensation trade, processing of raw materials, leasing services and through various joint ventures.

Mayor Xu said an important condition they had attached to the introduction of foreign investment was that it should boost the city's exports and enable it to develop further.

For example, they had imported modern equipment from Japan to mine poor-quality talcum and produce talcum powder for use in paper-making.

This was earning the city a large amount of foreign currency, which was then used to import more advanced technology.

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CSO: 4020/245

FOREIGN TRADE AND INVESTMENT

EXPORTS OF CONSTRUCTION MACHINERY ROSE TO $10 MILLION IN 1984

HK190821 Beijing CHINA DAILY in English 19 Mar 86 p 2

[Text] Better quality and greater variety have triggered a dramatic increase in exports of construction machinery, according to a report in the newspaper ECONOMIC INFORMATION.

In 1979, $800,000 worth of building machinery was exported. The figure increased to $10 million in 1984. Last year's export value is expected to top that level, the newspaper said.

In the past, exports were limited to a narrow category, such as road rollers, elevators and concrete mixers. But today nearly 100 different pieces of machinery are on the export list.

Southeast Asia used to be the principal market for China's construction machine exports, but that scope has since expanded to the Middle East, Africa, Latin America, Europe and Oceania.

China's building machinery enjoys high prestige on world market, the newspaper said, because of improvements in technical levels and quality.

In some countries, Chinese building machinery dominates the market, the newspaper said. The country has exported more than 800 sets of rollers to Pakistan, accounting for two-thirds of the total there. Cuba's concrete is mixed chiefly by Chinese mixers following import of 800 mixers.

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CSO: 4020/245

FOREIGN TRADE AND INVESTMENT

BRIEFS

ELECTRIC FANS EXPORTED--Beijing, 24 Mar (XINHUA)--China plans to increase exports of electric fans, a ministry of light industry official told XINHUA today. At present, the country sells 2 to 3 million electric fans on the world market annually. Last year's figure was 2.5 million. China is the biggest manufacturer of electric fans in the world. Last year over 30 million were turned out, about half of the world production. But the country only has about 10 percent of the international market. Slow delivery and out-of-date styles have held back China in taking over more of the world market. Now special designing teams are being set up to bring styles up to world standards. [Text] [Beijing XINHUA in English 1004 GMT 24 Mar 86 OW] 12624

SHANDONG EXPORTS INCREASED--Shandong Province has opened more channels to attract foreign capital as part of a strategy to increase exports, the newspaper ECONOMIC INFORMATION reported. In 1985, Shandong exported a record 32.64 billion worth of goods, a 16.4 percent increase over 1984. Foreign investment has been used to improve the quality of goods for export. Jinan Knitwear Mill imported advanced technology to replace obsolete equipment and raised product quality. Since the new equipment was put into operation, the factory has earned $4.63 million in foreign exchange. Peanuts, now one of Shandong's key exports, in the past had export sales of only a few dozen tons because of inadequate processing capacity. The introduction of advanced equipment through compensation trade greatly boosted export volume, bringing total sales of 50 million a year. Over the past three years, many Shandong enterprises have used existing equipment and surplus labor to process materials or assemble components supplied from outside. [Text] [Beijing CHINA DAILY in English 18 Mar 86 p 2 HK] 12624

SHAANXI BOOSTING TOURISM INDUSTRY--Xian, 19 Mar (XINHUA)--Shaanxi Province, one of China's four major areas rich in tourist attractions, plans to receive 600,000 overseas tourists in 1990--some 2.83 times the figure for 1985, according to officials here today. To boost tourism and make the business one of its major industries, Shaanxi has decided to further excavate the tomb of Qin Shi Huang, build another airport, and construct 14 more hotels. The province also plans to train more people to meet the increasing needs of the tourism industry, they said. The northwest China province expects to earn an annual income of 2.37 billion yuan in tourism revenue by 1990--an increase of

233 percent over 1985. The province is famous for its historical relics, including a museum displaying hundreds of life-size terracotta horses and armored warriors excavated near the tomb of emperor Qin Shi Huang 259-210 b.c.), China's first unifier. Over the past five years, there has been an annual 35.9 percent increase in overseas visitors to Shaanxi, said the officials. [Text] [Beijing XINHUA in English 1157 GMT 19 Mar 86 OW] 12624

CONTRACT ON NAVIGATION EQUIPMENT--Radio-Holland Hong Kong recently signed a contract worth about $4 million to supply Dalian Shipyard in northern China with communication and navigation equipment to be installed in military tankers the yard is building for Pakistan. The company's commercial manager, Mr Klaas Oreel, said the radar, sonar and radio communications equipment will be delivered in the second half of this year. Although shipments of technologically advanced products into China require approval from COCOM--the body formed by Western industrialized nations to control supplies to communist countries--Mr Oreel saw no obstacle to the present sale because Pakistan is the ultimate user. Rotterdam-based Radio-Holland specializes in the manufacture of marine and industrial electronics equipment. Mr Oreel said the company has just opened a branch office in Shanghai after entering the China market a year ago and more branches will be opened in other cities as the market grows. Radio-Holland is also negotiating technology transfer agreements with shipyards and shipping companies in China, he said. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 12 Mar 86 p 5 HK] /12712

TIANJIN FOREIGN TRADE UPDATE--Since the start of the year, steady progress continues in foreign economic and technical cooperation at Tianjin. It has been learned that during the first half of this year interest continued to grow among foreign investors for investments in Tianjin Municipality. The number of foreign businessmen visiting Tianjin doubled compared with the same period last year. Certain Japanese industrialists are actively preparing the establishment of a Tianjin Investment Association. This year to date, 61 agreements have been signed for Chinese-foreign joint ventures, of which over 10 percent are for production enterprises. Most of the joint venture partners come from the countries and territories of Japan, the United States and Hong Kong. An additional 118 items have been approved by the local government agencies for possible cooperative ventures. The total of all these items involves investments in excess of $700 million and direct use of foreign capital in excess of $300 million. With regard to the additional 118 items, several negotiations have already taken place with foreign businessmen on copper smelting, ship paint, synthetic insecticide, solar batteries, silk embroideries, airtight components, etc. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 18 Sep 85 p 2] 9808

CSO: 4006/131

SPECIAL ECONOMIC ZONES

SHENZHEN SUSPENDS PLAN TO FLOAT FOREIGN CURRENCY BONDS

HK130809 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 Mar 86 p 5

[Article by Paul Sham]

[Text] Shenzhen Security Co, set up last year under the People's Bank of China, [PBOC] has suspended plans to float foreign currency bonds in the special economic zone.

A company spokesman told BUSINESS NEWS yesterday it was decided the necessary approvals from the PBOC head office and the State Council would come too late to meet demand from local enterprises.

The company is the first of its kind in China. Its purpose includes raising funds from local and overseas sources, and providing direct investment and loans to local enterprises.

The bonds plan, unprecedented in China, had been aimed at channelling foreign funds from Shenzhen firms which had them to ones which didn't.

Foreign flow has been reduced by the clampdown on foreign exchange spending and the low exchange rate set by the government, leaving many Shenzhen enterprises short of foreign exchange.

The spokesman said the plan had been to float bonds denominated in Hong Kong dollars in amounts up to several million.

Instead, the company is now considering issuing credit instruments to meet the demand for yuan, which "is also very urgent" because of the recent brake on the money supply.

As the money market in Shenzhen is still in its embryonic stage and legislation needs to be improved, fundraising will be undertaken first through banking institutions in the form of bonds, certificates of deposit, or securities, the spokesman added

He said his company's operation would eventually pave the way for a Shenzhen stock market, but because there was yet no secondary market, that goal was unlikely to be realised in the near future.

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CSO: 4020/238

SPECIAL ECONOMIC ZONES

PRC AGREES 'IN PRINCIPLE' TO ALLOW JAPANESE BANKS IN SHENZHEN

HK180819 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Mar 86 p 5

[By Olivia Sin]

[Text] China has agreed in principle to allow three Japanese banks to open branches in Shenzhen, according to Luo Xianrong, director of Shenzhen branch of the People's Bank of China.

He said final approval would be given when the Bank of China (BOC) is allowed to open a branch in Tokyo.

The three Japanese banks he referred to are Bank of Tokyo, Sanwa Bank and Hokkaido Takushoku Bank Ltd.

Observers said it appeared China was demanding strict reciprocity in granting branch licences to Japanese banks. The banking community had expressed surprise at the exclusion of the Japanese banks from the first batch of foreign banks allowed to operate branch activities in the Special Economic Zone [SEZ].

Bankers said some Japanese banks had actively supported the development of the SEZ and deserved the "honor" of having a branch in China.

The successful foreign banks, announced last year, were Hong Kong and Shanghai Bank, Bank of Credit and Commerce International, Banque Indosuez, Standard Chartered Bank and Societe Generale.

Speaking after yesterday's opening ceremony of Societe Generale's Zhenzhen branch, Mr Luo said China had not yet approved an application from Banque Nationale de Paris to upgrade its representative office to branch status.

But banking sources said the official approval, which is a matter of formality, is expected in the middle of this year.

Mr Lou also admitted that the business scope of foreign branches in Shenzhen was limited but said it was natural for any country to restrict overseas banks initially.

For the time being, they would have to live with the restrictions, but he did not rule out the possibility of China "adjusting" its policy towards foreign bank operations in the future.

Bankers have complained about the high overhead costs of Shenzhen branches and the slim chances of making money.

By law, they may only handle foreign currency transactions and are limited to dealing with joint or wholly foreign-owned ventures. They are not allowed to accept deposits or handle trade bills of the hundreds of state-owned enterprises.

Societe Generale, a leading French bank, has been active in arranging syndication loans for China projects. It hopes to play a major role in financing the Daya Bay nuclear power plant, especially since China signed up Framatome of France as one of the main contractors.

The bank's manager for the Asia-Australasia region, Mr M Cassou, said at the Shenzhen ceremony it was also keen to open branches in Guangzhou and Shanghai.

It has representative offices in the two cities, together with one in Beijing.

Mr Cassou said Societe Generale was the first French bank to quote the renminbi, the Chinese currency, 20 years ago. With its extensive network of overseas branches, it could help Chinese corporations abroad to remit funds through its Zhenzhen branch.

He also noted that Societe Generale's opening in Shenzhen came within a few days of BOC inaugurating a branch in Paris.

Societe Generale has formed two leasing joint ventures to tap the vast Chinese market. They are Hong Kong-based Trilease International Ltd and China United International Leasing Co Ltd, which is based in Guangzhou.

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CSO: 4020/245

SPECIAL ECONOMIC ZONES

SHENZHEN FIRMS, OTHERS BANNED FROM PLACING NEW ORDERS

HK080520 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 8 Mar 86 p 1

[Article by Paul Sham]

[Text] China has instructed its specialised import and export companies not to accept any new orders from firms in the Shenzhen Special Economic Zone or from other domestic enterprises permitted to hold foreign currencies.

The measure, the latest in a series aimed at curbing the outflow of parallel goods from China and boosting the country's foreign exchange earnings, applies to import/export firms under the supervision of the Ministry of Foreign Economic Relations and Trade [MOFERT].

Sources close to the Shenzhen authorities said the measure would have a profound effect on the development of the city, which currently relies heavily on trading, although official policy is that it should earn foreign currency by developing its industries.

According to the vice-director of Hubei Province's Foreign Economic Relations and Trade Bureau, Mr Fan Kaishi, an internal directive from MOFERT has been sent to all specialised import and export companies stipulating that new export orders must come directly from foreign markets and not through Shenzhen.

Mr Fan is currently in Shenzhen for the 8-day Hubei Trade Fair which began yesterday.

Up to the beginning of this year, companies in Shenzhen and certain other areas, which are allowed a measure of freedom in deploying their foreign exchange earnings, have been permitted to purchase export-bound products from these specialised firms and pay for them in foreign currencies.

In turn, the import/export concerns have been able to put those orders towards export quotas laid down by the government, which are measured by value and not by volume. Payment in foreign exchange boosts their value totals.

By exploiting the huge demand for foreign currencies in other Chinese cities, companies in Shenzhen have been able to use their foreign exchange to purchase products cheaply from the import/export concerns.

Unlike Shenzhen, companies in most Chinese cities have to return about 70 percent of their foreign exchange earnings to the central authorities and must seek official approval for their use of foreign exchange.

As a result of cheap purchases made by Shenzhen firms, some of the products bought from companies in other parts of China and up in Hong Kong and overseas markets at a lower price than those set for the import/export companies.

Another side to the problem is that products originally destined for export--such as bicycles, electric fans, and bear--eventually go on sale in the domestic market where there is enormous demand for certain types of product.

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CSO: 4020/235

SPECIAL ECONOMIC ZONES

SHENZHEN REPORTS GROWING LEGAL INFRASTRUCTURE

Shenzhen SHENZHEN TEQU BAO in Chinese 7 Sep 85 p 2

[Report by Fu Jianguo [0265 1696 0948], Ouyang Huan [2962 7122 2719], and Li Rujian [2621 3067 0256]: "Increased Sense of Security for Foreign Investors--Professional Activity of Lawyers in the Shenzhen SEZ Growing Day by Day; In the First 7 Months of This Year, 20 Million Yuan and HK$8 Million in Economic Losses Either Avoided or Recovered by Certain Chinese and Foreign Enterprises"]

[Text] The establishment of available lawyers in Shenzhen is continuously being strengthened. The work of lawyers tends to become specialized and is playing an important role in safeguarding economic construction in the SEZ. During the first 7 months of this year, the various law offices handled altogether 395 economic cases of a great variety, and took part in 128 cases of drafting, examining and negotiating contracts. Through the activities of the lawyers, economic losses amounting to 21.4 million yuan and HK$8.3 million were avoided or recovered by certain enterprises and foreign investors.

In 1982, Shenzhen had only one legal counsel office with three lawyers. At the beginning of 1983, the judicial bureau of the municipality took the work of strengthening the contingent of the city's lawyers firmly in hand as an important part of perfecting the legal system of the SEZ and improving its investment environment. In a variety of ways, by selectively transferring, by advertising, by assignments from universities, and by training, they succeeded in recruiting legal personnel. At present, Shenzhen has 22 regular lawyers (including those working full time and those working concurrently as lawyers) and 16 lawyers in practical training, which basically amounts to 1 lawyer per 10,000 residents. They are mostly university and college educated, and the majority is middle-aged and young, creating favorable conditions for the further development of the legal profession.

To meet the needs of the continuously developing construction of the SEZ, the legal profession of Shenzhen is incessantly strengthening and perfecting its organization. Apart from the original municipal law office, which mainly is acting as defense counsel in criminal cases, a law office was opened at Shekou in July 1983 to provide legal service for the enterprises in the Shekou industrial district. In addition, Shenzhen Municipality established a law office for economic affairs involving foreigners, for the purpose of serving

state agencies and enterprises, also wholly-foreign enterprises, Chinese-foreign joint ventures, and cooperative enterprises as long-term legal advisor or to participate in the mediation of economic disputes involving foreign parties. Further law offices were established at Bao'an County and Shatoujiao. In the first half of this year, Shenzhen Municipality set up an economic relations and trade law office and a finance and real estate law office. The former is actively engaged in affairs concerning domestic and foreign economic and trade contracts, the latter is mainly concerned with banking, mortgages, loans and the purchase, sale, and transfer of commercial real estate. The total number of law offices in Shenzhen has increased to seven, each with its own specialty, showing an initial trend toward specialization.

Because legal rights and interests are being protected, several foreign merchants have expressed a feeling of increased security concerning investment in Shenzhen.

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CSO: 4006/131

SPECIAL ECONOMIC ZONES

IDEOLOGICAL PROBLEMS IN SHENZHEN SEZ DISCUSSED

Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 1

[Commentary: "Guiding Ideology of Vocational Work Still Needs To Be Corrected"]

[Text] To correct the guiding ideology of economic work in the Shenzhen Special Economic Zone [SEZ] is to fully understand the strategic position and role of the SEZ; to clearly understand that the task of the SEZ is to develop socialist productive forces and build a comprehensive SEZ of a foreign-oriented economy by absorbing foreign funds and importing advanced technology and scientific management methods; to correctly handle the relations between the local interests of the SEZ and the overall interests of the nation in regard to the open policy and reforms, between the interests of individuals or small groups and the interests of the broad masses of people and between immediate interests and long-term interests; to give full play to the radiation of the "four windows" and "fanning out in two directions" of the Shenzhen SEZ; and to strive to do one's own job well.

Whether the guiding ideology of vocational work is correct is a vital question concerning not only the reputation of the Shenzhen SEZ but also the success and failure of the building of a foreign-oriented economy in the SEZ.

Problems exposed at the enlarged meeting of the standing committee of the city CPC committee indicate that some cadres in Shenzhen City still have various confused ideas and erroneous concepts concerning the guiding ideology of vocational work. Their main manifestations can be summarized in the following six categories:

1. They either do not know much about the principles and policies of the CPC Central Committee concerning the establishment of special economic zones or quote out of context according to what they need. Some people misinterpret "one should do special things in a special way and new things in a new way" as "there is nothing that cannot be done." Some explain "dare to think and dare to act" as indulging in the wildest fantasies and committing all kinds of outrages. Some even consider carrying out dishonest practices as "invigorating the economy."

2. The influence of departmentalism is serious. They only care about the immediate interests and local interests of their own unit or small groups and pay no attention to the long-term interests and the overall interests of the country in regard to the open door policy and reforms. Some people mistakenly think that "it is all right to do whatever you want as long as you do not pocket the money yourself." Therefore, they dare to do anything just to make money.

3. Some people ignore their proper duties under the pretext of "developing diversified economy." Instead of concentrating their strength on improving technology and developing social productive forces, fully developing their own strong points and running enterprises in a down-to-earth manner, some enterprises and units are eager for quick success and instant benefits and concentrate only on cash income. They even go so far as to give up their main occupation for intermediate dealers. In order to make more money, individual units would be so absurd as to "contract" all their business licenses, bank accounts and official business seals to lawbreakers.

4. Ignoring the prohibition of the CPC Central Committee, some party and government organs engage in business and run enterprises to make "extra money" for small groups. Some leading cadres are both "officials" and "bosses." By abusing the power to commodity control, they give "special treatment" to enterprises "directly subordinate to them" and benefit from the profits, making a mess of "clean government offices."

5. Some units indiscriminately collect fees, increase prices and impose fines, trying to "pluck a feather from every passing goose," and use income from such practices as indiscriminate bonuses and gifts.

6. In employment, some units misinterpret the "pioneering spirit" and fail to exercise proper supervision while delegating power to lower levels. As a result, some people engage in secret and indiscriminate hiring in an effort to establish "family regime." Some units praise those people who are good at securing personal gain and dishonest practices as "able persons," thus resulting in numerous malpractices.

To overcome and correct these problems, first of all, we must conscientiously carry out education in party spirit, workstyle and discipline, communist ideals and "the four adherences" and establish the lofty ideals of communism. We should relentlessly attack economic crime, strengthen judicial and legislative work, establish and perfect all rules and regulations and plug loopholes. At the same time, we should also vigorously commend those advanced units and individuals who resolutely implement party principles and policies, work hard to start business, earnestly carry out reforms, and abide by laws so as to encourage healthy trends. We should help the broad masses of cadres, especially leading cadres at all levels, adopt a firm understanding of the overall situation, of policies and disciplines and become sober-minded promising leaders and help enterprises advance in the correct direction and make due contributions to the construction of special economic zones.

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CSO: 4006/125

SPECIAL ECONOMIC ZONES

SHEKOU FORMS EXPORT-ORIENTED ECONOMY

Shenzhen SHENZHEN TEQU BAO in Chinese 18 Sep 85 p 1

[Article: "The Shekou Industrial District Has Basically Formed an Export-Oriented Economy"]

[Text] By insisting that industrial structure be based on industry, products be mainly exported, and funds derive primarily from foreign capital in development and construction, Shekou Industrial District of Shenzhen Special Economic Zone [SEZ] has basically formed an export-oriented economic structure.

Since its founding 6 years ago, Shekou Industrial District has absorbed HK$1.45 billion from the United States, Japan, Britain, France, Denmark, Swiss, Singapore and Hong Kong. Over 80 percent of these funds have been used for industrial projects. Over 100 products, 67 percent of all products produced by 40 industrial enterprises, which have already begun operation, such as microcomputers, electrical machinery, household electrical appplicances, moulds, containers, yachts, leather, silk and industrial chemicals, have entered international markets.

Shekou Industrial District has paid great attention to importing and absorbing advanced foreign technology and managerial experience and developed competitive industrial products in view of international markets. In making import decisions, they have given priority consideration to projects with advanced technology, exportable products, and stable export channels, and vigorously created conditions to accelerate the signing of contracts and the process of putting such projects into operation.

While importing and using foreign capital to develop an export-oriented economy, Shekou Industrial District has also paid attention to developing the powerful technological strength and abundant natural resources of inland China to help increase its export capability. The Huasi Company, which is a joint venture established by the Zhejiang Silk Company and Hong Kong's Huajian Company in Shekou district, took advantage of Shekou's proximity to Hong Kong and Macao, imported printing and dyeing equipment and technology from Italy, Japan, and West Germany, processed Zhejiang's grey silks into printed silks and satins and exported all of such products. This project alone was able to increase output value by over 40 percent. This company has already earned

HK$180 million in the first half of 1985. The Haihong Ship Paint, Ltd., imported the patent rights of production technology from the Oldman Brand Paint, Ltd., of Denmark, but because its raw materails still rely on imports, the prices of its products are very high and it needs large amounts of foreign exchange. In view of this, Shekou Industrial District has vigorously helped relevant chemical plants in inland China improve the quality of industrial chemicals in an effort to gradually spread the use of domestic raw materials to save foreign exchange.

Thanks to the establishment of an export-oriented economy based on industry, the entire economic structure of Shekou Industrial District has been developed in a healthy and stable manner. In the first half of this year, the total industrial output value of the district was over 300 million yuan, accounting for over 70 percent of the total value of social output, of which, 78.6 percent was created by export products; the foreign exchange balance of the district was HK$170 million.

12302
CSO: 4006/125

SPECIAL ECONOMIC ZONES

ZHUHAI BASE FOR AIRLESS BICYCLE TIRE JOINT VENTURE

HK110353 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 11 Mar 86 p 5

[Article by Olivia Sin]

[Text] Captive Air Inc., a listed U.S. chemical engineering company, has formed a joint venture with the Guanghua Trade Development Co. of Zhuhai to produce airless bicycle tyres for the vast Southeast Asian and China markets.

Under the agreement, a new company, known as Taiping Co. Ltd., will be set up in the Zhuhai Special Economic Zone with a total investment of $4.6 million.

The 50:50 venture will produce more than 500,000 tyres a year.

The joint venture agreement was signed last week in Zhuhai.

Although most of the output will be exported initially, the project's partners are confident the Chinese bicycle users will increasingly turn to the company's airless tyres, which are more durable and convenient than the ordinary rubber tyres.

The president of Captive Air, Mr Vincent Panaroni, who stopped over in Hong Kong on his way back from China, said the project has special importance for China where millions of bicycles compete with cars for road space.

Mr Panaroni, who helped in developing the technology for airless tyres, said flat tyres are responsible for many bicycle accidents in the United States.

There is a tendency for consumers to turn to airless tyres, which are made of a special petro-chemical plastic known as polyurethane.

"Studies in the United States show the airless tyres can last up to 5 years," Mr Panaroni told BUSINESS NEWS.

Besides, he said the airless tyres do not need maintenance and are leak-proof.

Mr Panaroni said the price of airless tyres in China will be slightly higher than that of rubber tyres.

The average rubber tyre sells for about 10 yuan (about HK $24) and the airless tyre will be sold for about 13 yuan.

The chairman of Captive Air, Mr Richard Steinke, said the Chinese partner will provide a 13,000 sq ft manufacturing facility, labour, and living quarters.

Captive Air will provide the raw materials, knowhow, equipment, and training.

He said the Zhuhai facility will be Captive Air's production base for supplying the Southeast Asian market.

He said cheap labour and the tax incentives in Zhuhai will help the company keep production costs low.

About 60 percent of the plant's output will be exported initially to earn foreign exchange to pay for the imported raw materials.

If the raw materials are sourced in China, the percentage of exports can be reduced and more airless tyres sold in China.

Mr Panaroni said Captive Air possesses the technology to manufacture the polyurethane chemicals as well as the equipment and knowhow to turn the chemicals into finished products such as tyres, sports shoes, and toys.

He said very little energy is used in the manufacture of airless tyres, an important saving for energy-short China.

Mr Stinke said Captive Air plans to increase its involvement in China as other cities have also expressed interest in forming similar joint ventures.

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CSO: 4020/235

SPECIAL ECONOMIC ZONES

BRIEFS

JAPANESE TO AID HARBOR DEVELOPMENT--Reporter Deng Jinliang [6772 6930 5328] reports that the Nippon Kokusai Kyoryoku Jigyodan [Cooperative Industries Group] is greatly interested in the development of the Yantian harbor district at Dapeng Bay in Shenzhen SEZ. This information derives from the Communications Affairs Office of the Municipal Government. In response to an invitation by the China State Science and Technology Commission, seven members of a Dapeng Bay construction planning preparatory investigation team dispatched by the Nippon Kokusai Kyoryoku Jigyodan arrived in Shenzhen on 3 September for a 4-day investigation. They listened to introductory reports on the conditions for the development of the Yantian harbor area at Dapeng Bay and made on-site inspections of the geographical environment and conditions for harbor construction. They also engaged in a series of friendly discussions with the Communications Affairs Bureau of Shenzhen Municipality, the Shenzhen Dongpeng Industrial Corporation, and other such entities, on matters concerning assistance to Shenzhen in its development of the Yantian harbor area at Dapeng Bay. During the discussions all agreed that the next step for the Nippon Kokusai Kyoryoku Jigyodan would be to dispatch an official delegation to Shenzhen for an inspection, the place of inspection to be the Yantian harbor area at Dapeng Bay (a shoreline of 5 km and a land area of 7 square km). The Chinese and Japanese sides will then jointly draw up plans for the use of the land area, including roads and railway trunk lines. On the evening of 6 September, Wu Xianji [0702 7359 1015], deputy head of the Shenzhen Communications Affairs Bureau, and Okada Yasuo, head of the preparatory investigation group of Kokusai Kyoryoku Jigyodan, signed a summary of their conversations. Li Guangzhen [2621 1639 6966], vice mayor of Shenzhen, and Li Xinting [2621 2450 0080], deputy secretary, attended the function. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 1] 9808

SHENZHEN IMPLEMENTS 'CONTROL LINE'--Zhenzhen, 18 Mar (XINHUA)--The Shenzhen Control line, a net work of roads, customs offices and frontier checkpoints, will be officially put to use April 1 in accordance with a State Council decision, Zhen Xipei, Vice-mayor of Shenzhen said today. This will help ensure a "still more orderly" development of the special economic zone, where flexible policies are pursued to attract Hong Kong, Macao and overseas investment, he said. The line, completed a year ago, consists of 86 kilometers of roads round the Shenzhen Special Economic Zone, six custom offices, 29 check points and communications facilties. Its opening will facilitate the interflow of goods and personnel between the zone and Hong Kong, the vice-mayor said, while helping prevent smuggling and other illegal economic activities. There will be more freedom of entry and exit to foreigners, overseas Chinese and Hong Kong, Macao and Taiwan compatriots who have valid travel documents. To the rest of China, Zhen said, the line will help ensure normal exchanges of goods, noting that the state now plans to use goods made in Shenzhen to step by step substitute imported goods of the same category. [Text] [Beijing XINHUA in English 1540 GMT 18 Mar 86 OW] 12624

CSO: 4020/245

TRANSPORTATION

PRC RAILWAY BUILT ON SALT LAKE IN GOOD CONDITION

OW201808 Beijing XINHUA in English 1634 GMT 20 Mar 86

[Text] Xining, 20 Mar (XINHUA)--The world's first railway on a dry salt lake -- the Qarhan Salt Lake in northwest China's Qaidam Basin -- is on "perfect conditions" six years after it was put into operation, said a local official today.

The bed of this 32-kilometer section of the Qinghai-Tibet railway, which was built on solid salt, was found to have sunk only six millimeter in a recent inspection by a team of railway engineering experts.

The salt would never dissolve, they said, as the weather is exceptionally dry and cold on the Qinghai-Tibet plateau 3,000 to 4,000 meters above sea level and there was no fresh water under the salt lake.

Scientists have found that salt crystals free from fresh water become increasingly solid, and that salt blocks under dry conditions are able to withstand a weight of 18 kilograms per square centimeter.

Rails pre-treated against corrosion were used to build the section through the lake, and special engineering methods were adopted to secure the road bed.

The Qinghai-Tibet railway, which will eventually reach Lhasa, capital of the Tibetan Autonomous Region, now runs from Xining to Gulmud in Qinghai Province. The 5,800-square-kilometer Qarhan Salt Lake is China's largest.

Since the Qinghai section of the railway opened to traffic in 1979, it has transported 150 million tons of goods.

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CSO: 4020/244

TRANSPORTATION

BEIJING CONGRESS STANDING COMMITTEE MEETING ENDS

SK180105 Beijing BEIJING RIBAO in Chinese 6 Mar 86 p 1

[Excerpts] After completely fulfilling all items on the agenda, the 27th Standing Committee meeting of the 8th municipal People's Congress concluded on 5 March.

At the meeting on 5 March, participating members heard and examined the report given by Su Zhaolin, chairman of the municipal urban and rural Construction Commission, who was entrusted by the municipal People's Government, with regard to relieving the city's traffic congestion and accelerating the pace in building traffic facilities.

In his report, Su Zhaolin pointed out: There are many reasons causing traffic congestion in Beijing Municipality. Therefore, it is necessary for us to adopt various measures to deal with the problem. First, we should improve or enhance traffic management and bring into full play the role of the existing traffic facilities. Second, we should make overall plans for the transport systems of passengers and frieght and organize in a reasonable way the activities of production and livelihood in order to reduce the unnecessary volume of passenger and freight transportation.

At the meeting, participating members held enthusiastic discussions on Su Zhaolin's report and put forward some proposals.

The meeting approved some personnel changes and the namelist of these personnel is as follows:

Lin Yanzhi [2651 3508 1807] was appointed chairman of the municipal Physical Culture and Sports Commission.

Ma Kai [7456 0418] was appointed director of the municipal Commodity Price Bureau.

Zheng Yijun [6774 001 6511] was appointed director of the municipal Public Utilities Bureau.

Wei Ming was removed from his post of chairman of the municipal Physical Culture and Sports Commission.

Kang Shuren was removed from his post of director of the municipal Commodity Price Bureau.

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CSO: 4006/850

TRANSPORTATION

BRIEFS

NEW DOMESTIC AIR ROUTES--The Shandong Provincial Civil Aviation Bureau will open new air routes on 16 March, including one between Jinan, Shandong Province, and Xian, Shaanxi Province, via Zhengzhou, Henan Province, and another between Jinan, Shandong Province, and Dalian, Liaoning Province, via Yantai, Shandong Province. By flying using the new air routes and the original ones, the broad masses of passengers in Jinan City can take nonstop flights to 10 large and medium-sized cities throughout the country, including Beijing Municipality; Shanghai Municipality; Hangzhou City, Zhejiang Province; Nanjing City, Jiangsu Province; Ningbo City, Zhejiang Province; Xian City, Shaanxi Province; Zhengzhou City, Henan Province; Yantai City, Shandong Province; Dalian City, Liaoning Province; and Qingdao City, Shandong Province. The provincial Civil Aviation Bureau will put all imported British-made passenger planes into operation for the new air routes. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 14 Mar 86 SK] /12913

NEW CIVIL AVIATION ROUTES--Nanning, 11 March (ZHONGGUO XINWEN SHE)--It is learned from Guangxi Civil Aviation Bureau that the region will open three new civil aviation routes, namely Guilin-Nanjing, Guilin-Xiamen, and Liuzhou-Guangzhou. Their inaugural flights will take place on 14 and 16 March. At the same time, some other civil aviation routes will undergo readjustment. The Guilin-Nanjing route will be served on Tuesdays and Fridays, the Guilin-Xiamen route on Wednesdays and Fridays, and the Liuzhou-Guangzhou route on Tuesdays and Fridays. Formerly, the Guilin-Xian route was not a regular service. To make things convenient for tourists, however, the region will change it into a regular one beginning 16 March. It will fly on Tuesdays and Fridays. There are five flights each week between Guilin and Beijing. But the number will be increased to nine from 16 March. On the Guilin-Guangzhou route, flight nos. 0431 and 3339 will be cancelled. The frequency of flight no. 3328 will be increased to six per week, and that of flight no. 3326 will be increased from four to seven per week. Moreover, the frequency of flights between Nanning and Guangzhou, Guilin and Chengdu, Guilin and Chongqing, and Guilin and Shanghai have been increased. Their flight schedules have also undergone readjustment. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1236 GMT 11 Mar 86 HK] /12913

NEW AIR ROUTES OPEN--The Harbin Airport will open new air routes and increase the number of flights beginning on 16 March. The newly opened air routes are: The flight between Harbin and Tianjin via Beijing on every Wednesday and

Sunday; the flight between Harbin and Beijing via Mudanjiang and Shenyang on every Wednesday and Sunday, which will begin service when conditions are ripe; and the restored flight between Harbin and Jiamusi. In the course of opening and restoring the above-mentioned air routes, the Harbin Airport will increase the number of flights between Harbin and Beijing from the present 10 to 12 every week, and that of flights between Harbin and Guangzhou from the present 3 to 4 every week. After the readjustment, the Harbin Airport can offer 8 more flights, and transport 400 more passengers every week. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 14 Mar 86 SK] /12913

ROAD CONSTRUCTION TASKS--A provincial communications work conference which concluded on 22 March decided that during the Seventh 5-Year Plan, the Guanzhong area should focus on upgrading and improving main roads, north Shaanxi should focus on the Shenfu and Huangling energy exploitation areas, South Shaanxi should focus on the Qinba mountains, and the province should gradually build up a comprehensive road transport network centered on Xian based on the main roads and linked up with railroads, waterways, and civil aviation. The province will build 3,000 kilometers of roads during the Seventh 5-Year Plan. It will also improve 5,500 kilometers of old roads. Some 1,000 kilometers of roads will be newly tarred. Over 25,000 meters of bridges will be built, and 900 kilometers of waterways will be tidied up and improved. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86 HK] /12913

AIR ROUTE OPENS--On 21 March, airliner No. 3,603 of the Shandong Provincial Civil Aviation Administration Bureau smoothly landed at Dalian Airport on Liaodong peninsula, after flying over Shandong peninsula, stopping at Yantai Airport for a short duration and then flying over Bohai Bay. This air route covers a total travel distance of more than 670 km, and only 2 hours is needed for one flight. With the opening of this flight, which links Jinan with Yantai and Dalian with the (Yingzhi Jiaote) Mode 360 aircraft, the Shandong Provincial Civil Aviation Administration Bureau has for the first time directly linked Shandong peninsula with Liaodong peninsula with its own aircraft. From now on, an airliner will use this air route to fly between Jinan and Dalian every Monday and Friday. This will certainly play a positive role in developing economic associations between Shandong Province and northeast China and in making Shandong Province and its people prosperious. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 21 Mar 86 SK] /12913

JINAN-ZHENGZHOU-XIAN AIR ROUTE OPENS--On 23 March, the Shandong Provincial Civil Aviation Administration Bureau officially opened the air route between Jinan and Xian via Zhengzhou, the first air route from the province to the western region. The opening of this air route creates extremely favorable conditions for our province to strengthen lateral economic cooperation with fraternal provinces and to develop the province's tourist trade. This air route covers a total travel distance of 860 km, and only three hours are needed to travel from Jinan to the ancient capital Xian. There will be a regular flight every Wednesday and Sunday. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Mar 86 SK] /12913

WEIFANG-BEIJING AIR ROUTE OPENING--The new air route between Weifang and Beijing opened to air traffic on 22 March. At 1400 on 22 March, a silvery white An-24 airliner took off at Weifang Airport and headed for the capital, Beijing. During the third international kite festival and the first national kite tournament, an airliner will leave Weifang for Beijing once daily. Beginning from 12 April, this route will normalize its service to one flight every Wednesday and Saturday. In the past, foreigners manufactured aircraft on the basis of the Chinese kite theory. Now, foreigners will have the distinction of touring this native place of kites by airplane. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Mar 86 SK] /12913

MUDANJIANG-BEIJING AIR ROUTE OPENS--The air route between Mudanjiang and Beijing formally began service on the afternoon of 16 March. An airliner will leave Mudanjiang for Beijing every Wednesday and Sunday. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 17 Mar 86 SK] /12913

DALIAN INTERNATIONAL AIRPORT OPENS--Dalian--Ceremonies were held here yesterday to mark the opening of the city's new international airport. Representatives from air transport agencies, tourist agencies and trade institutions from Japan and Hong Kong were invited to the ceremonies and to subsequent business negotiations on airport utilization. Wei Fuhai, mayor of the port, one of the 14 open coastal cities in the country, said the airport is well prepared to handle overseas flights. Wei said the present talks are aimed at promoting an early beginning of scheduled flights between Dalian and Japan and contract flights between Dalian and Hong Kong. Wei said the city last year received 48,600 foreign visitors, among them 10,000 businessmen. Last year, 1,800 tons of goods were exported through Dalian airport. [Text] [Beijing CHINA DAILY in English 19 Mar 86 p 2 HK] 12624

PORT OPEN TO FOREIGN SHIPS--Beijing, 19 Mar (XINHUA)--Nanjing Port in Jiangsu Province at the lower reaches of the Yangtze River will open to foreign ships as from tomorrow, a communications ministry spokesman announced here today. With the water depth above 10 meters in its main channel, the port can accommodate ships of 10,000 dwt all year round. The spokesman said that foreign ships navigating or anchoring in the Yangtze River must observe China's relevant laws and regulations and be subjected to the management, supervision and inspection of the port superintendency administration. [Text] [Beijing XINHUA in English 1141 GMT 19 Mar 86 OW] 12624

AIR SERVICE BEGINS--Jinan, 22 Mar (XINHUA)--An air service from Beijing to Weifang, China's "Kite City" in Shandong Province, opened today. Weifang will host the third international kite festival and the first national kite tournament in early April. During the festival and tournament, there will be one return flight every day. After that, flights will be changed to twice a week. Teams from a dozen foreign countries and from two-thirds of Chinese provinces are expected to attend the festival and tournament, local officials said. In addition, there will be more than 10,000 Chinese and foreign spectators. [Text] [Beijing XINHUA in English 1452 GMT 22 Mar 86 OW] 12624

PORT READY FOR SHIPS--Nanjing Port in Jiangsu Province will be ready to accommodate the first foreign ship late this month, a city government official said here today. It is the largest inner river port in China and is located on the lower reaches of the Yangtze River between Shanghai and

Wuhan, capital of Hubei Province. With the water depth above 10 meters in its main channel, the port has 150 warves and five anchorages capable of accommodating 75 ships between 2,000 dwt and 5,000 dwt, and 14 vessels of 10,000 dwt. Its opening, which was approved by the standing committee of the National People's Congress last January, will ease the cargo pressure on Shanghai Port. [Text] [Beijing XINHUA in English 1657 GMT 14 Mar 86 OW] 12624

NEW CONTAINER SHIP ARRIVES--Shanghai, 21 Mar (XINHUA)--With one new container ship added to its service, the Shanghai Ocean Shipping Company now runs a fleet of 38 container ships, the largest in China. The "Yuhe", able to carry 1,686 standard containers, departed from the Shanghai Port yesterday for the United States. It is the ninth of its kind imported from the Federal Germany, according to a company spokesman today.

PROJECTED NORTH-WEST RAILWAY--Lanzhou, 21 Mar (XINHUA)--Surveying is now being stepped up to prepare the ground for starting the work next year on a 510-kilometer railway from Guozhen in Shaanxi Province to Yingshuiqiao in Ningxia Hui Autonomous Region. This was announced by rail authorities in this Gansu provincial capital today. The line will link up with main lines in Shaanxi, Ningxia, and Gansu. It will play an important part in developing the north-west's economy. [Text] [Beijing XINHUA in English 0206 GMT 21 Mar 86 OW] 12624

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10 APRIL 1986

China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

COMMENTARY REVIEWS NEED TO MAINTAIN SUITABLE GROWTH RATE

HK180900 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 86 pp 3-5

[Economic Commentary by Hu Ji [5170 1323] of the State Council Research Development Center: "Carry Out the Reform with a Coordinated Policy and Maintain and Appropriate Growth Rate"]

[Text] In the year 1985 which just has passed, our country made an all-round overfulfillment of the Sixth 5-Year Plan for the national economy and social development, reform of the whole economic structure with emphasis laid on the cities took an important step forward, socialist modernization achieved new progress, and the people's standard of living was further enhanced. During the year, we also obtained experience in stabilizing the economy and the whole political and economic situation was a good one.

In the new year, the continued maintenance of the economic development, the good start made in reforming the economic structure, and consolidation and development of the good political and economic situation will have an important significance in triumphantly fulfilling the Seventh 5-Year Plan and laying a reliable foundation for preparing continued strength for further development in the next 9 years. The CPC National Congress has already made a good summing up of the experiences and lessons derived from the Sixth 5-Year Plan and has designated the fighting targets for the Seventh 5-Year Plan, its basic guiding principles, and the principal guidelines and policies. If only we can realize the party Central Committee's recommendation for the Seventh 5-Year Plan, we can surely perform the 1986 economic work well. In my estimation, to enforce this "recommendation," it is worthwhile grasping the following two points which relate to correctly handling relations between the reform of the economic structure and economic development: on the one hand, it is necessary to insist on the reform, advance firmly, and promote economic stability; and, on the other hand, we should maintain a suitable growth rate, improve the economic environment and create the necessary conditions for further reform.

I. Firmly Insisting on Reform and Advancing Steadily

During the Seventh 5-Year Plan period, reform of the economic structure will have priority in economic work. This guideline is a correct one. Economic development relies on reform of the economic structure to provide an economic operating mechanism which is full of life and vitality. Reform of the economic structure is the vanguard and condition for economic development. In the

Sixth 5-Year Plan period, an unprecedentedly good situation since the founding of the PRC appeared in our country. The financial and economic situation basically turned for the better and the national economy demonstrated a new state of a sustained, stable, and coordinated development. Fundamentally, this was due to the thoroughgoing enforcement of the guideline of reform, opening up to the outside, and invigoration.

Reform of the economic structure is a revolution. It is a newly-created undertaking, with no existing examples to refer to and lacking a fixed pattern to follow. The only way is to grope way forward. Hence, in the course of the reform, while new progress may be made in our country's socialist four modernizations, we cannot avoid new errors creeping in at the same time. It certainly will enable our country's socialist economic structure to make new breakthroughs but at the same time we will encounter new contradictions. We must clear-headedly recognize this two-sided situation. At the same time we must clearly note that of these contradictions and errors some are originally the chronic diseases of the old structure such as one-sidedly seeking quantity and speed; some can occur because in the change of track from the old to the new temporary shortages may have caused a lack of coordination in the reform. For example, in 1985, the rural policy changed from liberalizing to fully opening up but urban reform did not catch up; and while following macro-opening up and invigorating, macro regulation and control could not keep up with the pace. Hence, only through firmly insisting on reform and deepening the reform will it be possible to overcome the new contradictions and errors and for the various kinds of work to continuously advance. The basic road out is to reform. Tightly holding to the drawbacks or making half-hearted efforts will get us nowhere. Some people, on seeing that the brakes are being applied on the "over-heated economy" and the investment scale is coming to a "halt," may think that reform will also be halted. This is a misconception. Overall enforcement of reform of the economic structure with emphasis laid on the cities will be the focal work during the Seventh 5-Year Plan period in our country, we must be firmly resolved and strive hard for its fulfillment.

We must also note that precisely because in the reform there may appear new contradictions and discrepancies which are difficult and complex in character, it is necessary, in the methods and steps of the reform, to be extremely cautious in work and to progress steadily. In this regard, we have plentiful experiences and lessons. In 1985, based on the guideline of a firm resolve, taking care in the initial encounter and firmly determined to succeed, we carried out the first stage of reform principally in the price structure and labor wages. The direction of these reforms was correct; the initial encounters proceeded smoothly and basic success was attained. But certain problems still prevailed. For example, in the price reform, the preparation work of certain regions was not sufficient, the steps taken by certain products were too fast while the guiding and coordination work could not follow up. All this, together with the inflated social needs, at one point brought about the phenomenom of a too-excessive rise in commodity prices, particularly in the prices of fresh, live, and subsidiary foodstuffs and in the prices of the "three categories" of construction materials. It was only after the party and government had taken a series of measures to stabilize the commodity prices that the normal situation was restored. In 1985, against the phenomena of an

"overheated economy" seen in the winter of 1984 and spring 1985 such as excessively inflated demands and a too-rapid growth in industrial production, steps were taken to strengthen macroeconomic regulation and control and successes were scored. But due to the whole coordination procedure being insufficient and some of the regulation measures and mechanisms not being efficient and effective, the results attained were not up to expectations and in fact were very unbalanced. Reform of the taxation system was relatively successful, laying the foundation for the distribution relations between the state and the enterprises. Fiscal revenues steadily increased, initially demonstrating the regulation role of the tax rates. Currency reform had a rather belated start, there being many problems while the banking structure was not still in a healthy condition and, in regard to the monetary policy, the control mechanism and the conduction system were still not perfect. Hence, broadly speaking, tightening the monetary supply could produce no appreciable effect while on the microeconomic side there were phenomena of crippling restrictions on certain sides.

Reform of the economic structure is for the purpose of serving economic development. Right now it is necessary to stabilize the economy for services that will subsequently be needed. The reform in 1986 should revolve around the call for stabilizing the economy and, in regard to the reform measures already being instituted, emphasis should be laid on consolidation, digestion, supplementing, endorsing the advantages and removing the disadvantages, and solving the outstanding contradictions. Moreover, it is necessary to coordinate the measures which are being enforced, advancing with firm and steady steps so that the reform can yield even better results. It is suggested that coordination be carried out in a three-fold manner, namely, strengthening macro-indirect management, strengthening the enterprises' vitality, and developing regulation by market mechanism and that stress be laid on performing the following points well:

Continuing to strengthen and perfect macroeconomy's indirect control. Micro-opening up and invigorating constitute reform; so macro strengthening of indirect management is also reform. We must strengthen the overall balance of plans and adopt a retrenched financial policy and monetary policy. Aside from adopting the necessary administrative measures for direct control, we must resort more to the economic measures for indirect control, make a better display of the functions of economic levers, tightly grasp the formulation of a number of economic laws, and strengthen economic supervision and inspection. We should conduct research on the formation of a perfect banking structure and better display the functions of banks in regulating social supply and raising and merging funds. We should grasp tightly the research on, and adopt, effective policies and methods for the control of the fixed asset investments of the whole society. We should study and enforce a system for the control of foreign trade and foreign exchange, increase the foreign exchange earning capacity of exports, enable imports to lead to more exports, and generally perform a good job in the conservation and use of foreign exchange.

We must further strengthen the vitality of the enterprises, particularly the large and medium-sized enterprises. Macroeconomy's indirect control must rely on microeconomy's vitality, motive power, and pressure to produce an active

response. For this reason, it is necessary to further carry out the State Council's relevant regulations on enlarging the decisionmaking power of the enterprises and increasing the vitality of the large and medium-sized enterprises, to create the necessary conditions for invigorating the enterprises. At the same time, the enterprises must be made to cast their eyes inward, strengthen operation and management, enforce the various responsibility systems within the enterprises, tap the hidden internal potential, and improve economic benefits.

Developing the economic horizontal relations and gradually strengthening the market competitive mechanism. It is necessary to continue to break down the demarcation lines and blockades between the departments and the regions. The departments, regions, and cities they should open up to one another. The various forms of economic horizontal relations should be encouraged. The commodity markets should be enlarged while the money market and technology market should be gradually opened up and developed. Rational flow of labor power should be facilitated so as to create conditions for the gradual formation of a socialist market system.

In addition, we must continue the experiments on urban overall reform and the experiments on certain unitary projects (such as opening up markets for means of production and treating residences as commodities), thus storing up experience for further reforms.

II. Continuing To Curb Demand and Maintaining a Suitable Growth Rate

In the above, we mentioned that reform should serve economic development. But economic development should also create conditions for reform. This is an important experience to be drawn from economic life. During the Sixth 5-Year Plan period, our economic development was basically sound and the reform also progressed smoothly. What is worth noting is: Just as mentioned above, in winter 1984 and spring 1985, the phenomena of an excessive inflation of demand and an excessive growth rate in industrial production appeared. This caused social gross demand to far surpass social gross supply and an over-tightening of economic life. It was highly disadvantageous to the sustained, stable, and coordinated development of the economy, impeding the smooth progress of structural reform. In order to remove these unstable factors, in 1985, the party Central Committee and the State Council promptly and correctly adopted a series of macro regulation measures which yielded initial results. The industrial growth rate dropped from 23.1 percent in the first half year to 8.8 percent in November. A good situation seldom seen for many years developed on the financial front and revenues and expenditures were basically balanced. Granting of credit and loans was under control. Basically, the ill wind of the unbridled issuance of banknotes was curbed. The scale of capital construction investment was brought under control, the urban and rural markets were invigorated, and the rise in commodity prices began to be halted.

It should be pointed out that the macro regulation and control in 1985 was not like "stepping on the brakes suddenly" as in past years but was a case of "slow and mild braking." The past "emergency braking," as in 1958, 1970, and 1979 caused "great ups and downs," violent reverberations and serious losses

and greatly dampened the enthusiasm of the broad masses of cadres and people. Due to "huge rises" on several occasions which not only were very large in scale but also spread over a long period, the accumulated problems were many and "violent fall" was inevitable. But the situation in 1985 was different. Due to the problems being discovered promptly, quick action was taken to keep the situation under control, making "slow braking" possible. Huge rises and minor falls rendered it possible to gradually ease up the situation, to take several years to digest, to absorb the ascent over several years, and to take 3 years to strive for realizing the basic balance of the social gross demand and social gross supply.

The "slow braking" process in 1985 was only the beginning. It must be continued in 1986 and 1987. In reality, the 1985 industrial growth rate is estimated at 17 percent, still on the high side; the scale of the gross fixed asset investments of units owned by the whole people is estimated to increase by 35 percent over the preceding year, the gross volume of salaries and wages for the whole country is estimated to have increased by 20 percent over the preceding year. Both have surpassed the gross value of the GNP and the growth rate of the national income. The increase in the gross volume of retail sales of social commodities also surpassed the growth of light industry. This clearly shows that social gross demand still exceeded social gross supply. Under such conditions, industrial production in 1986 should, on the basis of increasing the economic results, increase appropriately. We should strive to keep the real growth rate within 10 percent while the planned growth rate should be a little lower and we should allow ourselves sufficient ground to strive to attain a normal growth rate, that is, about 8 percent, as specified in the Seventh 5-Year Plan. The scale of fixed asset investments should also mark time at the original spot, generally maintaining the 1985 level. The growth in the total volume of wages and in the consumption funds should in general be suited to the heightening of industrial and agricultural production and of the labor productivity rate. Only by so doing will it be possible to carry out "slow braking," and prevent an excessive issuance of banknotes and overuse of foreign exchange holdings. It will play the role of stabilizing the economy and the commodity prices.

One-sidedly seeking and blindly going after speed in development has been an outstanding problem in economic work in our country in recent years and is an important factor causing inflated demand. In 1986, it will be necessary to overcome this improper trend and truly shift economic work to the track of improving economic benefits. We should outstandingly grasp the two stages of improving the quality of products (including increase in variety, renovation, and replacement) and lowering the consumption of materials. We should let the factors of the rise in prices of raw materials and fuels be absorbed as much as possible inside the enterprises and reduce the excessive import of packaged goods and raw materials. At the same time, we should promote the development of light industry and encourage and promote the production of good quality goods and goods of well-known brands, products that can be exported and earn foreign exchange, and goods known to be in very short supply. The market's supply of commodities should be enhanced and the basic stability of commodity prices should be maintained.

Strict control over the scale of fixed assets, particularly over capital construction investment so that it will not surpass the state's financial capacity, particularly the capability of the supply of material power, will still be a key task with a bearing on whether or not the economic situation can be stabilized in 1986. The basic problem at present is still that the projects under construction are too many and of too large a scale. Hence, it must be stipulated that construction of new projects should not be allowed except after being specially sanctioned. As for the projects still under construction, they should be screened in real earnest and a number of them should be stopped or deferred. On this basis, the investment structure should be readjusted. Construction of the major projects must be ensured, the technical trnasformation, expansion, and rebuilding of existing enterprises should be stepped up. We should speed up construction of the final stages of projects which cost little money but produce quick results and earnestly improve the investment results.

We must make the income of the staff members and workers and the consumption funds grow in a planned manner. In regard to the system of the wages of the staff members and workers of enterprises, due to the method of linking wages to the delivery of taxes and profits to the state being very imperfect, experiences can only be summed up from experimental points within a rigidly prescribed scope. At present, the problem of a small number of people receiving an exceedingly high income and fo the generally unjust method of distribution has already become the topic of discontent among the broad masses of populace and has become an important factor affecting the stability of the workers corps and social security and unity. It creates competition for increasing growth rates and stimulates the further inflation of consumption funds. These people have not become rich through work but through reliance on "relationships," on questionable means, and on taking improper channels, thus impoverishing the state and enriching themselves. This problem requires thorough investigation and study and coordination measures must be formulated in real earnest to have it solved smoothly.

Through keeping demand in check and maintaining an appropriate growth rate, we can surely basically eradicate the phenomenon of overheating and unstable factors within a relatively short period of time and create a relatively liberalized economic environment to further promote the reform of the economic structure.

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JOURNAL EXPLAINS SOCIALIST JOINT-STOCK SYSTEM

HK200030 Beijing JINGJI YANJIU in Chinese No 1, 20 Jan 86 pp 23-28, 34

[Article by Shi Yousheng [2457 0147 3932], research student of Department of Theoretical Studies, CPC Central Party School: "Exploring a Model for China's Joint-stock System"]

[Text] The establishment of a joint-stock system in China is an inevitable outcome of the antagonistic movements of the socialist relations of production and the productive forces. It is also an inevitable option following the deepening of economic restructuring. This formidable and complicated task of systems engineering in society can only be put into practice after experimentation on the basis of ample theoretical research and well-thought-out planning.

I. Actual Difficulties in Separating Ownership From the Power of Operation

The fundamental objective of our present reform of the economic structure is to build, in line with the principles governing a planned commodity economy, a socialist economic structure with Chinese characteristics that is full of vigor and vitality. With this objective in mind, it was only natural that the invigoration of enterprises, especially the large and medium-sized ones owned by the whole people, became the key element in the economic restructuring. These enterprises were to be made relatively independent producers and operators of socialist commodity production, each enjoying full power of management and bearing complete responsibility for profits and losses. In the meantime, the state, in its management of state-owned enterprises, gradually switched from direct to indirect control (while applying necessary statutory administrative means). This was how the switch from the highly centralized structure of a product economy to that of a planned commodity economy with great vitality was effected. The practice of reforms has already demonstrated the correctness of this direction.

In the reform of the economic structure, some people put forward the view that under socialist conditions, ownership of the means of production by the whole people and the power to operate these can be separated, using this to justify the existence of the socialist planned commodity economy. However, there are two difficulties in separating ownership from the power of operation in actual practice. If the owner delegates all power of operation to the enterprises, which are not owners, and gets economic benefits merely by reason of ownership,

then the superiority of the planned economy built on the basis of the socialist system of ownership by the whole people will not be reflected, and we will run into the danger of losing macroeconomic control, so much so that both the owner and the operators will find their economic benefits impaired in the end. It can thus be seen that the complete separation of ownership from the power of operation is not something we want to achieve in our economic restructuring. If this separation is an incomplete one, there will arise the difficulty of dividing the power of operation. It is very difficult to draw a clear distinction between the power which the government as the owner must retain and that which the enterprises and to hold as economic entities. At the initial stage of the reforms when enterprises ran out of control following the delegation of power, management organs of the government at various levels cashed in on their ownership to take back the power of operation delegated to the enterprises. This was a manifestation of the lack of a clear distinction. Different standards of value judgement were accountable for the capricious turns in the division of the power of operation and the endless wrangles between the enterprises and competent government departments. Contradictions have arisen between the functions of the socialist state in the management of economic affairs and the relative independence of enterprises as commodity producers.

The crux of the division of the power of operation lies in the distribution of economic benefits. The absence of rational and stable relationships where authority is concerned has given rise to the second difficulty: how can we ensure a more substantial growth of economic benefits for the state while revitalizing the microeconomy and securing more economic benefits for the staff and workers and the enterprises, so that we can achieve the objective of promoting production and making the people rich and the country strong in our reforms. If the enterprises are mere business entities, their interests will clash with those of the owners, and they will do all they can to bargain with the owners for more benefits, even resort to tricks to feather their own nests at the expense of the owners. The objectives of the owners and the operators also differ. In their preoccupation with the task to increase the income of staff and workers, enterprises often resort to short- or even super-short-term behaviors when they should be working for long-term development. Thus, what needs to be done in deepening the reforms is to build a mechanism that can closely combine the interests of the state, the enterprises and the staff and workers, as well as the short- and long-term interests of the staff and workers, and at the same time ensure their simultaneous growth. This will not be easy to accomplish if we let ourselves be guided by the "theory of separation."

The "theory of separation" has two basic theoretical justifications. The first is to quote Marx on the separability of ownership of land and capital from the power of operation under capitalist conditions, drawing the inference that the separation of ownership of the means of production by the whole people from the power of operation under socialist conditions is an objective inevitability. The fact is, Marx only expounded on this kind of separation to illustrate that pure ownership of land and capital is superfluous and will hinder the development of the productive forces. The class of dividend-mongers who receive rent, dividends, and interests by reason of pure ownership is the target of the socialist revolution. As Engels said: It "shows how unnecessary the bourgeoisie are for the purpose.... At first the capitalist mode of production forces out

the workers. Now it forces out the capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus population." (Footnote 1) (Engels: "Socialism--Utopian to Scientific" in "Selected Works of Marx and Engels," Vol 3, p 436) The second justification is to cite by way of example the separation of owners of loan capital and share capital from their operators under the capitalist system. While it is true that such separation does exist, it is but a manifestation of social division of labor in capitalist relations of production. It is possible to separate the owners from the operators of the means of production, but ownership of the means of porduction and the power to operate them are inseparable. Loan capitalists "concede their ownership for a given period, which is to say that industrial capitalists buy this ownership for a given period." (Footnote 2) (Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26, Part 3, p 510) For the loan capitalist, ownership dealing in money capital. For the industrial capitalist, ownership and the power of operation are also one, only his ownership is bound by given conditions and time. He uses the capital as his own within the contract period. Unless we understand this, we will find it hard to comprehend why interests and the income of the entrepreneurs are essentially the same.

The capitalist joint-stock system takes two forms. In the first case, there is no distinction between the owner and the operator. The only difference between this and loan capital is that the owner of capital has specific power to operate the means of production during the process of production. In the second case, the owner of capital basically does not take part in the operation and policy-making work of the enterprise. He entrusts the operation of the entire enterprise to the managerial staff and receives dividends and bonuses merely by reason of pure ownership. This is by no means a perfect system. Bourgeois economists have already perceived the discrepancy created by this separation between the objectives of the owner and the operator, with the former going after maximum profits and the latter working for the steady development of the enterprises while striving to preserve its privileged position.

I am questioning this system not because I am in favor of restoring the centralized decisionmaking power of the state over the production and operation of enterprises, or believe that the state should transfer ownership of the means of production to enterprises owned by the whole people. What I seek to do is to establish the theory that the state and the enterprises, at their different levels, jointly own the means of production and exercise their respective decisionmaking power, and also to seek out an organizational form upon which such a structure is to be established. Only in this way can we overcome once and for all the contradictions between control of the macroeconomy and invigoration of the microeconomy in the reform of the economic structure and truly bring about a planned commodity economy with socialist characteristics. The superiority of socialism over capitalism lies in the fact that the state has without its grasp the ultimate ownership of the means of production. This has to be ownership with the power of operation and not just ownership in a purely statutory sense. Otherwise there will be no basis on which to carry out planned guidance and make policy decisions regarding the business operations of the state-owned enterprises. However, this does not mean that the state must

take part in the day-to-day running of the enterprises. There may be formal changes in the relationship of possession, this being an important feature of the socialist system of ownership of the means of production by the whole people. Along this line of thinking, I believe that we must establish a socialist joint-stock system in order to restructure and readjust the relations between the state and the state-owned enterprises.

II. The Basic Principles to Be Observed in the Socialist Joint-Stock System

The socialist joint-stock system is essentially different from its capitalist counterpart. Their formal features are also different in many ways. Thus, when designing a model for the socialist joint-stock system, we must observe a number of basic principles and special governing rules.

1. Ensure the leading role of state funds. This basic principle is determined by the nature of socialist relations of production. In enterprises owned by the whole people in our country, the state owns the means of production on behalf of the entire working populace and regulates social production in a planned manner. Thus, the means of production owned by the whole people take the form of state funds. The prevalent material conditions upon which the joint-stock system is to be instituted is the predominance of state funds in the total fixed assets of society. If we institute a form of non-state ownership with personal shareholdings as the main body, we will change the nature of socialist economic relations and make it difficult for the state to exercise macro-control and management over economic activities. Besides, it is also quite impossible for individuals to subscribe for state-owned fixed assets worth hundreds of billions of yuan. Thus, it is impractical to advocate instituting a joint-stock system with personal shareholdings as the main body. An alternative is to turn state-owned fixed assets into shares to be subscribed for by consortiums, and step by step change the system of ownership by the whole people into ownership by consortiums. An insuperable difficulty of this alternative is how revenue from the sale of holdings in fixed assets is to be used. Some comrades advocated using the money to subsidize reform measures in relation to pricing, wages and so on. (Footnote 3) (See Cao Wenlian [2580 2429 3550]: "An Exploration on Stock Financing in Large and Medium-sized Enterprises Owned by the Whole People," JINGJI YANJIU, No 8, 1985) This in fact increases consumption expenses. It will weaken our strength in developing the national economy and have an adverse effect on long-term economic development. This is absolutely undesirable. We could continue to use such revenue to finance capital construction, but the form of investment is yet to be worked out.

In upholding the principle of ensuring the leading role of state funds, we should not follow the suggestion made by the World Bank in its investigation report on China, that we turn the fixed assets of existing state-owned enterprises into shares to be allocated to a number of competent government departments, which are to form the boards of directors of these enterprises. If we do, will only be creating more "moters-in-law" for the enterprises and hence restrict their actions all the more. This proposition only takes into account the management and control of enterprises by the state. It fails to recognize that this management and control must be preconditioned by the revitalization

of enterprises and the independence of commodity producers, and cannot, therefore, be taken as the direction for reforms. Moreover, the lack of criteria and grounds for dividing share ownership will give rise to technical difficulties. Even if we manage to divide the share ownership, this will only lead to more wrangles and frictions between different parties, lower the efficiency of management, and result in the defect of relying on power and influence to carry out management.

2. Uphold the separation of the functions of government and enterprises. The separation of the functions of government and enterprises, with the government staying away from the day-to-day operations of enterprises, is a condition and requirement for the development of the commodity economy. It is also the prerequisite and guarantee for the revitalization of enterprises. The implementation of the principles of ensuring the leading role of state funds and separating government from enterprise functions appears to be contradictory and impossible, at least in form, but it is not so. There are no insurmountable contradictions between these two principles. Generally speaking, following the development of socialized large-scale production, the state assumes the functions of managing, supervising, controlling and regulating social and economic activities. After the socialist state took possession of the means of production on behalf of the entire working populace, the functions of the government in managing society and the economy increased both in scope and in intensity. The state not only must manage, supervise, control and regulate the activities of the entire macroeconomy, but must manage enterprises under its name. The problem is that the latter function often extends to the inside workings of these enterprises, so that state power which should be a regulating force of social relations as a whole becomes the dominating factor in the microeconomic activities of the enterprises. This was the reason why government and enterprise functions were the principle of labor first must be embodied in the relations of distribution in socialist joint-stock enterprises. In line with this principle and under normal conditions of operation, the fruits of labor created by laborers of joint-stock enterprises with state funds, funds of other enterprises, and funds owned by their enterprises should, after making deductions for public spending and compensating for the value of material goods reproduced by their enterprises, be distributed among these people in accordance with the minimum average income level for laborers in society. The remainder is to be further distributed among the shareholders and laborers. In this way, if an enterprise is well managed, not only will there be handsome dividends and bonuses, but the income of the staff and workers will grow as production develops. Thus, every laborer will show concern for the performance of his or her enterprise. This constitutes a powerful motivating force for the development of the productive forces under socialist conditions. In order to ensure the implementation of this principle, laborers must bave representation on the board of directors. They must share with the owners the power to make policy decisions regarding the major activities of their enterprise and have a say in the distribution of profits. Of course, the state on its part must also adopt a series of policies and measures aimed at protecting the fundamental power and rights of shareholders. Only in this way can we establish economic relations of mutual aid and cooperation that embody true equality.

4. Sharing of responsibility. The characteristics of the socialist joint-stock system say that joint-stock enterprises must be economic combinations that share not only economic benefits but also responsibilities and risks. Thus, shareholders and laborers are both directly responsible for all the assets owned by their enterprise. When an enterprise is running at a loss, its shareholders do not get any dividends. Its laborers, too, must be made to bear corresponding economic losses. If an enterprise goes bankrupt, its shareholders are also entitled to demand compensation from social insurance and social relief (enterprises must take out insurance policies) in amounts equal to the total unemployment relief receivable by the staff and workers. It is only through this kind of mutual economic concern that the shareholders and laborers can be brought closely together to work for simultaneous growth in benefits and share the losses.

III. The Basic Model for the Socialist Joint-stock System

The introduction and perfection of a joint-stock system takes time. Under existing economic conditions in China, the Joint-stock system can only be introduced in enterprises owned by the whole people.

1. As a first step, a socialist shareholding relationship is to be developed within the vertical structure of enterprises owned by the whole people so that a mixed economic form that merges state-owned funds with funds owned by consortiums of enterprises can take shape. This mixed economic form is brought about through the investment policy decisions taken by the enterprises. Following the replacement of profit delivery by tax payment, the carving up of benefits between the state and the enterprises is made stable and fixed by means of taxation, with the state acknowledging that enterprises have the right of ownership and right of disposal of their own after-tax profits. If an enterprise retains part of these after-tax profits for reinvestment, ownership created by such investment should go to this enterprise. If an enterprise does not have the right of ownership to capital invested through its own decision, there will not be any motivation for it to invest its retained funds for the purpose of developing production. This will encourage the enterprises to spend their after-tax profits on collective welfare or have them distributed among their staff and workers for personal consumption. In the end, there will be no guarantee that the enterprises will consciously safeguard the interests of the state and develop projects of long-term interest.

Following the emergence of joint-stock enterprises, the state must change its form of control of state funds by setting up state fund management companies. The main idea is to change various types of existing industrial bureaus into state fund management organs of different trades. Representing the state, they are responsible for the management of state funds in the mixed economy. The state, after checking the fixed assets of enterprises under its jurisdiction, entrusts these to the specialized hands of state fund management companies. State fund management companies are different from government administrative departments in nature, in that they do not have authority over the enterprises in other respects. The revenue of these companies mainly comes from dividends and bonuses. Their expenses go to three areas: 1) The payment of income tax, regulatory tax, and other aplicable taxes to state taxation

departments; 2) the financing of mandatory plans for the reproduction of fixed assets handed down by state planning departments; and 3) day-to-day administrative expenses. Heads of state fund management companies are appointed by the state and a target-oriented system of responsibility is practiced. The staff is mainly made up of experts in the fields of finance, investment, and technology. The day-to-day function of the companies is mainly to study the economic and technical developments of their respective trades at home and abroad, conduct feasibility studies on investment with state funds, examine the long-term development programs of enterprises, guide and supervise the use and management of fixed state funds held by the enterprises in order to increase the efficiency of funds and achieve maximum income from individends and bonuses.

Government control of state fund management companies is mainly through mandatory and guidance plans, taxation and budgets. The rate of increase of state funds is the principal index by which the performance of these companies is assessed. However, in keeping with the proportions between various economic sectors, the state has the power to transfer state funds from a certain trade and entrust their application to another trade in order to regulate the flow of funds and readjust the industrial structure. The companies also undertake state investment assignments. With increased financial appropriations, these management companies perform their investment functions by enlarging social reproduction in a planned way, developing the national economy, and increasing the proportion of state funds. They sit on the management committees of enterprises by right of their claims and, in accordance with state industrial and economic-technical policies and market changes, guide and decide on the policies and market changes, guide and decide on the policies of operation as well as the development programs and investment policies of these enterprises. They also supervise the financial accounting of these units and have a say in the distribution of profits. The management committees of enterprises are equivalent to the boards of directors. Seats are taken up by representatives of fund owners, management and labor. The proportion may be fixed in the light of specific situations in different enterprises. In large and medium-sized enterprises of significance, a system of standing committee may also be instituted.

The above is just an initial attempt to straighten out the management structures between the state and the enterprises and within the enterprises through the setting up of a joint-stock for the vertical movement of funds and through the establishment of principles and organs for the management of state funds. This kind of joint-stock system only fulfills a relatively low-level function, which is to combine the interests of the staff and workers, the enterprises and the state in order to achieve mutual benefits, mutual prosperity, and simultaneous growth, and thereby to remove the cause of short-term behaviors on the part of enterprises. However, this stage does not afford conditions for the circulation of shares. The distribution of funds to different sectors of production still depends on state plans and state investment. As a means of financing, the joint-stock system has yet to be improved in order that its function in guiding and bringing about the optimal deployment of funds can be brought into full play.

2. In developing the second phase of the joint-stock system, the objective is to gradually open the financial market, allow the circulation of shares held by state fund management companies and by the enterprises themselves on the stock market in a planned way, gradually break down the barriers between different state fund management companies, and complete the formation of the joint-stock system in horizontal relations.

After this stage, management companies of fixed state funds will be transformed into quasi financial institutions working for maximum returns on investment. In order to fulfill mandatory plans handed down by the state for the reproduction of state funds, these companies may sell on the financial market their state fund holdings in enterprises with poor investment returns and poor prospects. They are free to invest the income thus obtained in other directions and thus divert the use of funds. The state may, through taxation, credit, and economic-technical policies guide and assist these companies in revamping investment in enterprises under their jurisdiction so as to improve the qualities and development potentials of these enterprises. Through mutual financing, consortia of enterprises with state fund management companies at the core will gradually be set up to provide the state with better conditions for carrying out macro-control and guidance. With the permission of legal notary departments and financial departments and under their supervision, enterprises may in a planned way have their own shares or mutual holdings listed on the market for circulation in order to bring about the flow and merging of funds between enterprises.

A series of political and economic conditions are necessary for the establishment of the second phase of the joint-stock system. First, it is necessary to institute a whole set of sound economic laws and regulations and strengthen the buiding of legislative and judiciary departments for the handling of economic affairs. Second, further efforts need to be made to straighten out pricing relationships. The movement of funds between different departments and between different enterprises mainly depends on price signals. If the price structure is unreasonable, particularly if the price of the basic means of production is unreasonable, the signals they send out will lack authenticity. This will lead to the blind movement of funds, which in turn will aggravate the disproportions in the industrial structure and lower the social and economic returns on investment. Third, it is necessary to set up and improve the socialized unified market. A well-developed financial market and the exchange of shares and bonds need as their basis a well-developed commodity market and services market. In the unified market network that operates on the basis of socialist planning, funds can be transferred and circulated freely, and so can labor power. Only in this way can conditions be created for fund owners and laborers to compete fairly on the market. Fourth, it is necessary to train a large number of professionals well versed in the handling of securities and shares. All these take time and cannot be accomplished overnight.

IV. Some Questions that Require Further Clarification

No management structure is perfect, and the same is true for the joint-stock system. During their discussions, some comrades have raised doubts and expressed anxieties. These require clarification.

1. Some comrades are skeptical about whether or not a socialist joint-stock system that ensures the leading role of state funds can effectively arouse the enthusiasm of the vast number of staff and workers in showing concern for and cherishing their enterprises. They even think that there is no difference between this reform and state-owned enterprises of the past. This is mainly due to their underestimation of the potential for enterprises to invest and buy shares with funds they are entitled to retain. In fact, as estimated by departments concerned, following the extension of decisionmaking power of enterprises between 1980 and 1984, own funds obtained in various ways [words indistinct] than 180 billion yuan, amounting to nearly one-third of China's total industrial fixed assets. [Word indistinct] by enterprises owned by the whole people with funds they are entitled to retain also grew at an annual rate of between 20 and 30 billion yuan. This is an enormous financial force. It is believed that as production develops, the absolute amount of funds that enterprises are entitled to retain will increase more substantially and the relationship between the material benefits of the staff and workers and investment by the enterprises with funds they are entitled to retain in developing production will become increasingly more important. Thus, following the establishment of a joint-stock system that ensures the leading role of state funds, income derived by enterprises from fund ownership will gradually increase. This no doubt will arouse the enthusiasm of enterprises in making investment and make the staff and workers feel more concerned about the management and development of their enterprises.

2. Contrary to the above reckoning, some comrades are afraid that the steady growth of collective factors within the system of ownership by the whole people will nibble at and even supersede the strength of the system of ownership by the whole people, change the economic nature of relations between units owned by the whole people, and undermine the predominance of the system of ownership by the whole people in the national economy. These people are overemphasizing the seriousness of the problem. We think that so long as the state manages to secure, through various avenues, the bulk of all the surplus products created by society, the growth of state funds will exceed that of collective funds. This is a kind of accelerated growth. Under this ratio of distribution, the state sector will always be able to maintain its lead in the national economy in terms of strength and position. If the situation does occur where the strength of collective funds outweighs that of state funds in certain enterprises to the extent that the part played by society in regulating and controlling production is threatened, the state can prop up the system of ownership by the whole people through pumping in more state funds or redeeming shares in collective funds.

3. Some comrades note that following the engendering of share claims by enterprises, laborers will react differently to property, and internal splits will be created. (Footnote 4) (See Liu Guoguang [0491 0948 0342] and Zhao Renwei [6392 0086 0251]: "Several Problems Encountered in the Present Economic Restructuring in China," JINGJIXUE ZHOUBAO, 28 September 1985) I think this should not give us any cause for anxiety. This is an issue that concerns the distribution of income derived by an enterprise from its share ownership. We should acknowledge the fact that funds used by an enterprise for subscribing shares are jointly created by all its laborers over a given period and thus

everyone who has taken part in creating this portion of property should enjoy equal rights in relation to this. Dividends and bonuses attributable to such share ownership should, after deducting social insurance, mainly be distributed to the laborers who made this possible. The enterprise may distribute these dividends and bonuses in the form of floating annual increments to each staff and worker in its employ during that period. Those with longer years of service and more contributions to their credit should be given bigger increments. Of course, if the rate of profit drops due to mismanagement and revenue from dividends and bonuses is reduced as a result, the staff and workers must also shoulder the responsibility. To begin with, their floating annual increment will have to be reduced. As far as the staff and workers are concerned, this is both fair and reasonable and will not create internal splits.

4. There is yet another view which maintains that the emergence of the factor of ownership by enterprises will obstruct the flow of labor power. This anxiety is also uncalled for. We advocate the free flow of labor because we want to enable the staff and workers to freely choose work posts where they think they can bring their strong points into full play, to rationally distribute labor to different sectors of production, and to increase labor productivity. Thus, flow is just a means, and developing production is the end to this means. If enterprises are well run and income from labor and from dividends surpasses the average level in society, the solidifying power of the enterprises will increase, thus enabling the staff and workers to cherish their unit all the more and look upon their unit as their home. If we can cultivate this kind of enterprising spirit in China, what is wrong with it? The relative stability of labor power under such circumstances is by means a bad thing. This has been proven by the experience of numerous enterprises at home and abroad. If enterprises stay in the red for prolonged periods, so much so that the vital interests of the staff and workers are affected, share ownership by enterprises will not in any way stop the flow of labor elsewhere. Staff and workers may, in the event of injuries, sickness, or death sustained at post or upon retirement, be compensated for the benefits they were previously entitled to by reason of share ownership with a lump sum payment out of social insurance in accordance with their length of service and contributions. However, it must be made clear that with collectively owned shareholdings, it does not mean that each staff member and worker is entitled to an equal share. Neither does it mean that a member of the staff or worker can receive the income derived from the sale of his share of ownership when he or she leaves the enterprise, or can transfer or inherit such shares. If these can be done, share ownerhsip collectively held by enterprises will lose its meaning and will not be any different from personal share ownership.

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JILIN GOVERNOR REVIEWS 1985 GOVERNMENT WORK

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[Report on the first part of the government work report delivered by Gao Dezhan, governor of the Jilin Provincial People's Government, at the fourth session of the sixth provincial People's Congress on 9 March]

[Text] In his "government work report" at the fourth session of the sixth provincial People's Congress, Gao Dezhan, governor of the provincial People's Government, summed up the work done in 1985, and affirmed our province's good political and economic situation and new achievements in economic construction and social undertakings.

He said: In 1985, under the leadership of the provincial CPC Committee and CPC Committees at all levels, the People's Governments at all levels throughout the province conscientiously implemented the principles and policies of the CPC Central Committee and the State Council, deeply conducted the reform of the economic structure with a focus on the cities, and persistently attended to both socialist spiritual and material civilizations. Through the concerted efforts of the people of all nationalities across the province and on the basis of the past achievements, we made new progress in the economic construction and social undertakings. The total social product in 1985 was 42.01 billion yuan, an increase of 11.1 percent over 1984. Of this, the total industrial and agricultural output value was 30.2 billion yuan, an increase of 9 percent over 1984. National income was 16.97 billion yuan, an increase of 8.8 percent. On the basis of a steady development of production, markets were brisk, revenue and expenditure were balanced, and improvement was made in the people's livelihood. The province's political and economic situation was very good in 1985. The past 1 year was a year of arduous struggle as well as a year of successful progress because we experienced serious natural disasters and all fronts also made new achievements through smoothly carrying out reform.

Fairly Good Agricultural Harvests Were Reaped Through the Struggle Against Serious Floods and Waterlogging

Last year, our province suffered the most serious floods and waterlogging since 1909, the year we began keeping weather-related records. This had brought about extremely great damage to production and the people's livelihood. Confronted with the serious floods and waterlogging, the provincial CPC Committee and Government put the stress on flood combating and rescue work, while

the leading cadres at all levels went deep into disaster-stricken areas to enthusiastically organize the people of the whole province to combat the floods and waterlogging. In this way, the people in the disaster-stricken areas were ensured of sufficient food, clothes, and places to live in; the disaster-stricken people suffering from illness were given treatment in a timely manner; and such serious problems as the disaster-stricken people having no grain to cook, fleeting to other places, and suffering from diseases did not take place. The disaster-stricken people were ensured of passing through the winter safely. While arranging the livelihood of the disaster-stricken people, the province vigorously carried out the self-salvation work by engaging in production, widely opened avenues for production, and developed a diversified economy in an effort to increase income. Last year, through conscientiously implementing Document No 1 of the central authorities and in line with the actual conditions, the province readjusted the rural production structure and firmly grasped the development of animal husbandry, town- and township-run enterprises, and a diversified economy. With the arduous efforts of the vast number of cadres and people and under the circumstances of better weather in the latter period of last year, the province still reaped a fairly good agricultural harvest. The total agricultural output value reached 8.68 billion yuan, (including the output value realized by the industry at or below the village level.) The total grain output reached 12.253 million tons, making the 1985 harvest the province's third largest since the founding of the PRC. The province sold more than 4.5 million tons of commodity grain to the state, overfulfilling the state-assigned grain purchasing task. Fairly great increases were made in the output of such cash crops as beets, flax, and cultivated ginseng. Development was made in the diversified economy, such as forestry, animal husbandry, fisheries, processing industry, and service trade. A new situation in animal husbandry emerged with an overall increase in the number of animals and poultry. The per capita income of the rural people was 413.7 yuan. Along with the further implementation of the party's policies on the rural economy, the channels for commodity circulation increased, a diversified economy developed, and the rural economy was enlivened. The rural economy is deeply changing and developing toward the orientation of commercialization, specialization, and modernization.

Industrial Production Grew in a Sustained, Stable, and Coordinated Manner, and the Output Value, Profits and Taxes, and Revenue Continued To Increase at the Same Rate

Last year we persistently placed the improvement of economic results in the first place, and corrected the ideology guiding industrial development. Proceeding from reality, we used our limited funds and energy and raw material resources to support the enterprises that produced the goods in great demand in markets and could yield high foreign exchange earnings through exports, and helped enterprises enhance their ability for assimilation. We carried out coordinated reforms within enterprises, and enabled them to further exercise the decision-making powers extended by the state, thus boosting the enthusiasm of distributors and producers. The industrial output value reached 21.52 billion yuan, registering a 14.8-percent increase over the previous year. If the output value created by the enterprises run by the units at the village level or below is included, it reached 22.82 billion yuan, showing a 16-percent

increase. Taxes and profits turned over to the state by industrial enterprises totaled 1.978 billion yuan, up 17.5 percent from the previous year. Remarkable results were achieved in lateral economic cooperation and technological exchanges. More than 100 economic associations of various forms joined in by more than 800 enterprises were established throughout the province. Our province also established economic ties with 20 provinces, municipalities, and autonomous regions and 70 prefectural-level cities, thus laying an initial foundation for developing and utilizing our resources, which constitute our advantage, and for establishing an open, interconnected economic structure. Last year we combined and worked out overall plans for carrying out technological development, imports, and renovation in a planned manner, and technically transformed, on a priority basis, 15 large and medium-sized enterprises, and 45 key enterprises which had an influence on the economic situation of the province. Marked progress was made in the development of new products and the popularization of new technologies, thus continuously improving product quality. We developed 1,450 kinds of new products, of which 231 were the first of their kind in the country, or reached advanced national levels. Twenty products won state gold and silver medals, making last year a year with the greatest number of medals. Stable quality improvement rate of major products reached 93 percent.

The Capital Construction Plan Was Fulfilled Fairly Successfully with the Guidance of the State Macroeconomic Control

In line with the state requirement for bringing fixed assets investment under strict control, we sorted out the projects under construction in an all-round manner, and gave priority to key construction projects, thus accelerating construction progress, shortening the construction period, and enabling investment to yield better results. Annual plans for local key construction projects were also fulfilled fairly successfully. New progress was also achieved in urban planning; in the construction of towns, townships, and villages; and in urban management. In this way, we initiated the work of planned urban construction. Governments at all levels did a great amount of practical work to protect the environment. Among the 60 environmental protection projects that the province had decided to carry out since 1983, 51 were completed.

More Importance Was Attached to Education, and Various Social Undertakings Continued to Develop in the Course of Reform

Last year our province conscientiously implemented the CPC Central Committee's decision on educational structure reform, and further defined the orientation, goals, and tasks of educational reform. Elementary education was made universal in 54 counties (cities, districts) throughout the province, amounting to 87 percent of the total number of counties (cities, districts). Forty-five ordinary higher educational institutions throughout the province had 59,500 students, 8,400 more than in the previous year, and they enrolled 1,861 postgraduates, 996 more than in the previous year. Our province won the anti-illiterary "Nuoma [6179 3854] honorary award" issued by UNESCO for its elementary education programs for adults. A staff and worker education system, from primary to higher education, of various levels, categories, and measures

is taking shape. Education drew concern and attention from various quarters of society, and the practice of respecting teachers and stressing education was initially established.

New achievements were scored in the fields of culture, arts, radio and television broadcasting, film-making, press, publication, sports, health, and family planning. In health work, we adhered to the principle of "putting prevention first, giving consideration to both urban and rural areas, and combining traditional Chinese medicine with Western medicine"; made improvement in technical level and service; and gradually upgraded the medical conditions. In family planning, we further perfected policies, and achieved a 98-percent planned birth rate, thus fairly successfully controlling the blind growth of population. Shuangyang County of our province ranked among the 10 family planning red-banner counties of the country.

A New Step for Scientific and Technological Reform Was Taken and Good Results in Serving Economic Construction Were Scored

In accordance with the guidelines of the reform of the scientific and technological system made by the central authorities, our province carried out, on a trial basis, an open bidding system of key scientific research items and a system of appointing scientific and technological personnel, conducted a patent system, and issued awards to those that scored scientific and technological achievements.

The development of scientific research work was promoted with the initial achievements in carrying out the technological contract system on a trial basis. Last year, a total of 374 scientific research results were appraised. Of this, 6 reached major technological targets of the international level, 170 attained the national advanced level, and 4 won state invention prizes. Among the 96 scientific research results awarded by the provincial government in 1984, 90 were applied to production last year.

The Financial Situation Further Improved, and Credit Funds Were Brought Under Control

Last year the province promoted the expansion of financial resources by enthusiastically carrying out the reform of the financial and tax system, trying every means to raise funds, vigorously organizing forces to increase revenue, readjusting the structure of distribution of financial resources, and rationally arranging expenditure. The distribution, regulation and circulation of funds were strengthened. Credit funds were granted to support the development of industrial and agricultural production and the disaster combating rescue work. The enterprises were supported to increase the economic results. The economically backward areas were supported to change their appearance as soon as possible. Thus, a smooth progress of the wages and pricing reform was ensured.

Greater Development in Internal and External Trade Was Made and Urban and Rural Markets Were Brisk

Along with the ceaseless development of the reform of the commercial system and the further establishment and development of the open-type commodity circulation system with multiple channels and fewer links, both purchasing and marketing were brisk. The reform of the pricing system made fairly smooth progress. The policy on purchasing and marketing hogs and the policy on prices were readjusted. Flexibility in the prices of such fresh and live foodstuffs as vegetables was allowed. This played a positive role in promoting production, enlivening circulation, and stimulating markets. Great development was made in external trade. The province's export products were sold to more than 100 countries and regions of 5 continents in the world. The total export volume last year reached 426 million yuan, an increase of 71 percent over the previous year. Prominent development was made in the export of corn, and this made the province occupy the first place in the country. Better results were made in conducting economic and technological cooperation with foreign countries. The number of imported technological items and equipment and the amount of imported funds doubled or quadrupled.

On the Basis of Development of Production, People's Livelihood Further Improved

Regarding the people's living problems as a matter of great importance, the governments at all levels enthusiastically took effective measures for basically eliminating the tendency of arbitrary price hikes. Last year, the province used a total of 753 million yuan of funds for people's living allowances. The province also decided that from this year another 10 million yuan of subsidies will be granted every year to ensure that each urban resident will have another 2 jin of rice. Some problems concerning the livelihood of college students were solved so that their livelihood improved. The pricing system reform was carried out in a planned manner. Conditions for water utilization and roads and transport in the urban areas improved to a certain extent. Last year, houses covering an area of 2.92 million square meters of floor space were built by the state-owned units and the urban collectively-owned units. The per capita wages of the staff members and workers of the province increased by 16.7 percent over the previous year. Adjusted for inflation, their wages increased by 5.8 percent, 1.1 percent higher than the national average growth rate.

Political and Legal Work Was Strengthened, and Public Security Showed Further Improvement

We carried out in-depth struggles against serious crimes and serious economic offenses, punished according to law a group of criminals guilty of serious economic and other crimes, and investigated and handled a number of major and appalling cases emphatically. We launched provincewide propaganda and education on legal knowledge to enhance the initiative of cadres and the people in studying, abiding by, and using laws.

We Intensified the Building of Spiritual Civilization While Paying Attention to the Building of Material Civilization

Governments at all levels paid attention to and strengthened ideological and political work; conducted education on the current situation and on the "four haves" among cadres and the masses; learned from and gave publicity to PLA model heroes and the advanced persons emerging in the antiflood and rescue work; and launched "five-stress, four-beauty, and three-love" activities and activities to "learn from heroes, stress ideals, and show deeds," thus gradually deepening the education on ideals and discipline. We strengthened leadership over culture, broadcast, film-making, television, publication, and other undertakings, attached importance to social benefit, and provided better sources of intellectual nourishment to the masses. The PLA played a positive role in the building of the "two civilizations" in our province, cooperated with 2,994 units in building spiritual civilization, and turned most of them into civilized units. We strengthened the styles of thinking of government organs, and launched extensive study and inspection activities focusing on the theme that "leadership means service," thus improving the work styles of provincial organs, and raising their work quality and efficiency.

While affirming the great achievements our province scored in various fields, Comrade Gao Dezhan pointed out: There are still many difficulties before us, and some problems that cannot be neglected still exist in our work. The resources of our province have yet to be fully developed. The capacity of agriculture to resist natural disasters was rather poor, and floods and waterlogging caused difficulties last year, such as a serious shortage of funds and materials. Our province's industrial foundation was poor, management of various trades and professions was rather backward, and loss and waste were serious. In the government work, the building of the spiritual civilization remained a weak link, and the phenomenon of neglecting ideological and political work was not uncommon. Government organs' styles of thinking fail to meet the needs of the development of the situation. Although these difficulties and problems are detrimental to our progress, under the party leadership, as long as we enhance confidence, make progress vigorously, exert ourselves to work in a conscientious and down-to-earth manner, and overcome difficulties and solve problems, we will be able to score new achievements and open up a new situation.

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PROVINCIAL AFFAIRS

SHAANXI'S LI QINGWEI DELIVERS WORK REPORT

HK200423 Xian Shaanxi Provincial Service in Mandarin 0200 GMT 19 Mar 86

[Excerpts from Shaanxi Governor Li Qingwei's Report at Fourth Session of Sixth Provincial People's Congress on 7 March: "Persevere in Reform, Advance from Victory to Victory, and Strive to Accomplish the Province's Seventh 5-Year Plan"]

[Excerpts] I. The Sixth 5-Year Plan Has Been Victoriously Accomplished

The development of Shaanxi's national economy during the Sixth 5-Year Plan was marked by the following main characteristics:

1. The growth rate was relatively fast. Total industrial and agricultural output value in the first year of the plan rose by only 30 million yuan compared with the previous year, but growth in the last 4 years of the plan was rapid. The figure for 1982 topped that for 1981 by 2 billion yuan; the increase in 1983 was 1.6 billion yuan; the rise in 1984 was 2.8 billion yuan; and the rise in 1985 was 3.5 billion yuan, when the total reached 25.5 billion yuan. Such large continuous growth was unprecedented for Shaanxi.

2. Economic work started to shift onto the track of focusing on improving economic results. Since 1983, the province's enterprises covered by local budgets have achieved 3 successive years of synchronous growth in industrial output value, sales income, and tax and profit delivery to the state. All-over labor productivity in independent-accounting industrial enterprises owned by the whole people in 1985 was 11,592 yuan, an increase of 34.3 percent over 1980. The average rise during the 5 years was 6.1 percent, exceeding the state demand for an annual increase of 2 percent.

Marked achievements were scored in reducing deficits and increasing surpluses in enterprises. The number of industrial enterprises covered by local budgets running at a loss in 1985 was 72 percent less than in 1980. Only 7.8 percent of enterprises were running at a loss, compared with 25 percent in 1980, while the losses dropped from 79 million yuan to 16 million yuan.

There has been continual improvement in product quality, and more and more fine-quality and brand products have been turned out.

There has been a marked improvement in the financial situation. Revenue in 1985 was 2.03 billion yuan, a record. The budget was in balance that year.

3. The major proportional relationships in the national economy have tended to become more coordinated. As a result of readjustment, the proportional relationships between agriculture, light industry, and heavy industry were further improved during the Sixth 5-Year Plan. The proportion of agriculture in total industrial and agriculture output value rose from 31.7 percent in 1980 to 33.7 percent in 1985. Within industry, stress was placed on priority development of light industry, and production of consumer goods was assigned an important position. Heavy industry has readjusted its production orientation and made efforts to expand its scope of service. Light and heavy industry have developed in a more coordinated way.

4. A variety of economic forms, operational methods, and circulation channels has developed, with state-owned economy as the dominant factor, and urban and rural economy has been livened up. Collective commerce accounted for 21 percent of total retail commodity sales in 1985, compared with 7 percent in 1980, and individual commerce accounted for 10 percent, compared with 0.8 percent in 1980.

5. The province initially launched moves to open up to the world. The province has imported 470 items of technology and equipment from abroad, with a total value of $260 million. Through Sino-foreign joint ventures, cooperative ventures, and so on, the province has signed contracts totalling $400 million for using foreign investment. There have also been new developments in foreign trade. Total export value in 1985 exceeded $100 million, showing an increase of 840 percent over 1980.

Interprovincial lateral economic ties have developed rapidly. Foreign affairs work has been strengthened. Tourism has developed vigorously.

6. The province has scored very great achievements in capital construction and technological transformation, which have strengthened its reserve forces for economic development. During the Sixth 5-Year Plan, units owned by the whole people completed a total of 13.2 billion yuan in investment in fixed assets, including 9 billion yuan in capital construction and 4.4 billion yuan in modifications and transformation. During the 5 years, the province built a number of large and medium construction projects and completed 2,700 technological transformation projects.

7. Education and culture have developed vigorously, and notable achievements have been scored in science and technology. During the Sixth 5-Year Plan, the number of institutes of tertiary education rose to 45, while the number of secondary technical schools and colleges reached 209. The province has set up 173 secondary vocational schools. Universal primary education has been introduced in 72 counties and districts.

During the period of the plan, the number of science and technology personnel in the province rose to 342,000. The number of scientific organs subordinate to the province and to prefectures and cities rose to 214.

8. The markets are prosperous, business is brisk, and there has been a marked improvement in urban and rural living standards. New achievements have been scored in communications, posts and telecommunications, geology, finance, civil affairs, public security and judicial work, nationality work, religious work, and overseas Chinese affairs. The PLA units stationed in the province have made outstanding contributions in fighting floods, carrying out rescue work, supporting local construction, and in joint army-civilian building of spiritual civilization.

While viewing our excellent economic situation, we must also clearly perceive the difficulties and problems facing us in economic development, and also the weak links. Compared with advanced provinces and regions, the pace of economic development in Shaanxi is not fast enough and the development is uneven. The Guanzhong area accounts for a large proportion, while northern and southern Shaanxi have hardly been developed at all. The agricultural foundation remains rather brittle. The peasants are living in poverty in some rural areas, especially in remote mountain areas.

The past 5 years have been 5 years of great emancipation of the mind, great economic development, major progress in reforms, and of unity for combat on the part of the cadres and masses.

II. The Strategic Goals of the Seventh 5-Year Plan and the Guiding Ideas for It

The strategic goal for the province's national economic and social development in the Seventh 5-Year Plans: Total industrial and agricultural output value should reach 37.5 billion yuan by 1990, more than double the 1980 figure; we should strive to achieve doubling by 1988, 2 years ahead of schedule; and we must work for further development in all undertakings and for continued improvement in people's living standards. By achieving these goals, we will be able to gain the initiative in economic invigoration in the 1990's and achieving quadrupling by the year 2000, and lay an excellent material foundation for shifting people's living standards to a comfortably well-off level.

The guiding idea for the province's economic work during the Seventh 5-Year Plan is: Guided by the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, and in accordance with the general demand to build socialism with Chinese characteristics, persistently put reform in the first place, readjust the pattern of the productive forces, vigorously improve work in the Guanzhong area and actively support economic development in northern and southern Shaanxi; further readjust the economic structure, and speed up the development of agriculture, light industry, and tertiary industry; under the premise of improving economic results, strive for a faster growth rate; bring into full play and tap the capacity of existing enterprises and speed up the pace of modification and expansion; persistently open up to the world, further expand external economic and technological cooperation and exchange, and vigorously develop tourism; attach importance to exploiting brain-power and work hard to develop science and education; while promoting the building of material civilization, vigorously step up the building of socialist spiritual civilization.

The people's government at all levels must arrange their work to be closely centered on these goals and guiding ideas.

1. Persevere in putting reform in the first place. The Seventh 5-Year Plan is a key period in all-round reform of the economic structure. The goal of the reforms is to basically lay the foundation for a new socialist economic setup in the next 5 years, or slightly longer. The main task of reform is to further invigorate the enterprises, strive to develop the socialist commodity market, continually perfect the market setup, gradually reduce direct state control of the enterprises, and establish and put on a sound basis a system of indirect control. Through all-round reform of the economic structure, we should further harmonize the economic relationships and ensure that reform and economic construction match and promote each other.

The general guiding idea for reform of the economic structure this year is to consolidate, digest, supplement, and improve the reform measures and achievements already gained. We should solve the outstanding problems and prepare for more important reform steps next year. We should concentrate on grasping the following measures: 1) We must further invigorate the enterprises, especially the large and medium enterprises and those enterprises that make foreign exchange through exports. 2) Consolidate the fruits of the reforms of prices and wages. 3) Promote joint operations and stimulate reforms by breaking down boundaries between trades, departments, areas, and ownership systems, and thus boost lateral ties between enterprises and stimulate the rationalization of the organizational structure and product mix of the enterprises. We should promote reforms in depth. 4) Bring into full play the role of key cities. 5) Improve macroeconomic controls.

2. We must persistently regard as our regional development strategic principle the vigorous improvement of the Guanzhong area and active support for the development of northern and southern Shaanxi. We must focus on exploiting the black treasure underground and on building up the green treasure on the surface. We must turn the natural resource strong points of coal and oil into economic strong points as soon as possible. At the same time, we must plant grass and trees on a large scale, and develop animal husbandry and the forestry and animal processing industry.

In developing the economy of southern Shaanxi, we must focus on exploitation and construction in the non-ferrous metal treasures and the indigenous mountain products. We must take advantage of the strong points of ample non-ferrous metal and building material resources and abundant electric power, and arrange in a planned way a number of metallurgical, building materials, and high energy-consuming industries in the area.

We should take full advantage of the biological resources to develop the foodstuff, medicinal herbs, and forest indigenous products processing industries.

During the Seventh 5-Year Plan, we should build the Guanzhong area into a relatively developed agricultural comprehensive commodity production base with a focus on grain, cotton, and oil. We must also establish it as a major industrial base with relatively high management and technology standards, product quality, and economic results.

3. Under the premise of striving to improve economic results, we must strive for a still better growth rate. Shaanxi's economy is marked by poor foundation and backward technology. Unless we have a certain growth rate, we can hardly extricate ourselves from the bottom half of the national table, and economic invigoration can only be empty talk. We must attain whatever growth rate can be attained with hard work. In particular, certain economically backward areas must pay all the more attention to taking advantage of their strong points and avoiding the weak ones, and speed up their development as much as possible. Otherwise they can hardly change their poverty and backwardness.

4. Under the premise of promoting steady growth in grain production, we must go further in readjusting the rural production structure in light of local conditions. Agriculture is the foundation of the national economy, and grain is the foundation of the foundation. We must fully understand this. We must not slacken grain production because the grain situation has improved, nor should we neglect to invest in agriculture just because the agricultural foundation requires a long construction cycle and yields results slowly.

We must further implement the rural economic policies, carry out reforms in depth, and improve the production conditions. We must organize pre- and post-production services and promote sustained, steady, and coordinated development of the rural economy. We must uphold the principle of actively developing diversification without any slackening of grain production. We should speed up the development of forestry and animal husbandry.

In developing township enterprises, the focus should be on agricultural and sideline product processing and on pre- and post-production services such as storage, packaging, transport, and sales of these products. Places where the conditions are right should give free rein to developing mining, the building materials industry, construction work, and undertakings that dovetail with large-scale industry and promote exports.

We must develop new strains, technologies, machines, and implements, and new materials for agriculture, implement the spark plan approved by the state, actively train technicians for the rural areas, and provide complete sets of technology and equipment suitable for the township enterprises.

5. Apply advanced technology to speed up the technological progress of the existing enterprises. Shaanxi has over 10,000 industrial enterprises. The original value of investment in fixed assets in independent-accounting industrial enterprises owned by the whole people is almost 20 billion yuan. This represents the foundation and the base for advance in achieving doubling of the economy.

In transforming the existing enterprises, we should focus on trades with great potentials, such as textiles, light industry, foodstuffs, machinery, and electronics, and get a good grasp of large and medium enterprises with a bearing on the overall situation in the national economy. We must also get a good grasp of backbone enterprises that play a demonstration and leading role in technological transformation in their particular sector, and also enterprises that make foreign exchange through exporting.

During the Seventh 5-Year Plan, we must focus on doing a good job in technological transformation in 140 large and medium enterprises subordinate to the province and 1,000 enterprises subordinate to prefectures and cities. We must also speed up the work of switching the defense industry to producing civilian goods. We should strive for a breakthrough-style development in production of civilian goods during the Seventh 5-Year Plan.

6. Do a good job in capital construction by concentrating forces to ensure the key projects. The province has 77 large and medium capital construction projects listed in the state plan during the Seventh 5-Year Plan. They include the Ankang hydroelectric station, with installed capacity of 800,000 kilowatts; the (Pucheng) thermal power plant, with installed capacity of 660,000 kilowatts; the Shaanxi aluminum plant producing 100,000 tons of electrolyzed aluminum a year; the Shaanxi museum, with advanced installations; and the Shaanxi radio and television center.

During the Seventh 5-Year Plan, in railroad construction we must focus on completing the Shenmu-Baotou line, open the (Podi-Qinjiachuan) section of the Xian-Yanan line, and continue to build the (Podi)-Yanan section of this line. We must also complete the electrification and improvement of the Baoji-Mengyuan section of the Longhai line.

In road construction, we must focus on completing construction of the grade-1 highway from Xian to Sanyuan and the motorway from Xian to Lintong, and improve the road from Yulin to Fugu.

We must ensure the completion of the grade-1 airport at Xianyang by 1988. We must dredge and tidy up the Huang He and the Han Jiang waterways, and develop waterway traffic on the Huang He from Fugu to Yumenkou.

We should speed up the construction of digital telephone systems in Xian and Baoji cities and construct the Xian international telecommunications service center. We must transform the backward state of Shaanxi's posts and telecommunications as soon as possible.

7. Persistently open up to the world and actively promote external economic and technological cooperation and exchange. In order to speed the province's economic development, we must further emancipate our minds and break down boundaries during the Seventh 5-Year Plan, so as to take still greater strides in opening up to the world, make greater use of foreign investment, and import more advanced technology and equipment.

8. Vigorously develop tourism and build Shaanxi into an international tourist center characterized by cultural and historical relics.

9. Pay attention to exploiting brain-power and vigorously develop education and science and technology. During the Seventh 5-Year Plan, the province must complete the task of introducing universal primary education. On the basis of consolidating and improving primary education, counties and districts containing about 20 percent of the province's population should introduce 9-year compulsory education.

We must vigorously develop secondary vocational and technical education so as to turn out large numbers of talented people with primary and secondary technical standards and laborers with a certain grasp of technology. We must focus on consolidating and improving the existing institutes of tertiary education, tap their potentials, and readjust their internal setup. We should speed up the development of disciplines in which we are short or weak, so as to train still more talented people for the province. We should actively do well in running broadcast, correspondence, and night universities.

10. Continually improve the material and living standards of the masses. Industrial enterprises should vigorously increase output of high-quality and brand products and best-selling goods that are in short supply in the markets. Agriculture too must provide more products for the markets.

Industrial and commercial administrative departments, pricing, and food hygiene departments must strengthen market controls and crack down hard on illegal activities such as market strikes, random price hikes, and violations of the food hygiene laws.

We must grasp planned parenthood work as a strategic task, and control the natural population growth rate at about 11 per 1,000.

Beginning this year, the province will allocate 14 million yuan each year for reducing or waiving agricultural tax for poor households. This will be kept unchanged for 3 years. The province will also allocate 4.5 million yuan to old revolutionary bases in southern Shaanxi for developing production. We must strive to basically solve the food and clothing problem of the masses in poor areas within 3 years.

III. While Doing a Good Job in Building Socialist Material Civilization, Vigorously Strengthen the Building of Socialist Spiritual Civilization

In order to achieve the vast goals of the Seventh 5-Year Plan, the government at all levels must vigorously step up the building of spiritual civilization.

The government and the departments at all levels must step up education in the situation, the tasks, and the policies, in the four basic principles, in patriotism and communist ideals, and in socialist morality and discipline. The cultural and publishing departments must integrate social benefit with economic results, putting the former in first place, and resolutely correct unhealthy trends.

In the first half of this year, we must first curb six unhealthy trends: indiscriminately sending people on foreign trips; spending public funds on travel; the running of businesses and enterprises by party and government organ cadres; indulgence in extravagance and waste; giving banquets and presenting gifts; and engaging in bribery and corruption. Anyone breaking law and discipline must be strictly investigated and dealt with.

The government at all levels and the public security and judicial departments must be bold in tackling tough problems and in breaking up networks of

relationships. No matter who is involved, investigations must be carried out in a thoroughgoing way, and the culprits must be punished severely according to law. We must resolutely ban all ugly phenomena and strive for a further turn for the better in social mood.

Through carrying out education in common knowledge of the law, we should gradually enable young people and all the masses to actively learn and enforce the law and also to spontaneously abide by and apply the law and wage resolute struggle against all illegal activities.

The work personnel of the local governments at all levels must persevere in the program of serving the people wholeheartedly and sincerely provide good service for the grassroots, the masses, and production.

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RUI XINGWEN REPORT TO SHANGHAI CPC CONGRESS

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/Report delivered at the Fifth Shanghai Municipal CPC Congress on 3 March 1986 by Rui Xingwen: "Unite and Work Hard to Build Shanghai into an Open, Multi-functional, and Highly Civilized Modern Socialist City"/

/Text/ Comrades:

The Fifth Shanghai Municipal CPC Congress has opened. According to the instructions of the party Central Committee, the main items on the agenda of this congress are: To thoroughly implement the guidelines set at the National Conference of Party Delegates; to further carry out the requirements contained in the "Outline of Report on the Strategy for Economic Development in Shanghai" approved by the State Council; to discuss and decide on the major tasks, objectives, and policy measures for economic and social development in Shanghai during the Seventh 5-Year Plan; to elect the Fifth Shanghai Municipal CPC Committee, the Shanghai Municipal Advisory Commission, and the Shanghai Municipal Discipline Inspection Commission; to strengthen and improve party leadership; and to mobilize Communist Party members and other people in the municipality to unite and act with one mind, uphold the policy of reform and opening to the outside world, accelerate the pace of reforming and rejuvenating Shanghai, and make new contributions to our nation's socialist modernization.

On behalf of the Shanghai Municipal CPC Committee, I shall now deliver a report to the congress for examination and approval.

Shanghai Has Entered a New Phase of Reform and Rejuvenation

The current congress is convened in the excellent situation of the nation's Sixth 5-Year Plan having been overfulfilled, the national economy developing in a sustained, steady, and harmonious way, the reform of the entire economic structure with emphasis on the urban economy already commencing, and the political situation of stability and unity becoming increasingly consolidated.

Under the correct leadership of the party Central Committee, party organizations at all levels and the broad masses of party members, cadres, and masses in Shanghai have resolutely implemented the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee. They

have eradicated the long-existing influence caused by "left" mistakes, won significant victories in eliminating chaos and setting things straight with regard to guiding ideology and practical work, and shifted the focus of the party's work to economic construction. This municipality has fulfilled its Sixth 5-Year Plan ahead of schedule. In particular, with the smooth start in the effort to implement its economic development strategy approved by the State Council, Shanghai has begun to enter a new phase of reform and rejuvenation with gratifying achievements being scored on all fronts, thus laying a fairly sound foundation for its socialist modernization. This is manifested mainly by the following:

1. Formulation of a comprehensive economic development strategy has set the objectives in joint efforts to reform and rejuvenate Shanghai.

Since the 12th CPC National Congress put forward the demand for creating a new situation in all fields of socialist modernization, what kind of city Shanghai should be turned into and how to make it play a still better role in the nation's four-modernizations program have become questions of common concern for the whole party and all people in Shanghai. The party Central Committee and the State Council have earnest expectations of Shanghai's economic rejuvenation. On his inspection tour of Shanghai, Comrade Hu Yaobang pointed out in an emphatic tone that Shanghai should become a pioneer in the four-modernizations program. On hearing a report on preliminary ideas regarding Shanghai's economic development strategy, Comrade Zhao Ziyang pointed out that it is imperative to reform and rejuvenate Shanghai and to revive its vigor, and that Shanghai should play its multifunctional role to the full as a central city. During the past few years, many leading cadres, the broad masses of people engaged in theoretical as well as practical work, and patriotic personages of all circles in Shanghai have lengthily studied and examined Shanghai's long-term development plan. Noted experts and scholars in other parts of the country have also offered many valuable suggestions. In September 1984 the "Outline of Report on the Strategy for Economic Development in Shanghai" was drawn up jointly by the Municipal CPC Committee, the Municipal Government, and the State Council's investigation and study group for reforming and rejuvenating Shanghai. This document sets forth the orientation of Shanghai's development, the strategic objectives to be achieved by the end of this century, the principles and tasks, the key construction work, the methods for implementation of the plan, and some major policy measures. In February 1985 the State Council officially approved and distributed this "Outline of Report." In order to implement this "Outline of Report," the municipal CPC Committee organized an investigation and study group composed of more than 260 people to conduct investigations and study in an overall manner and put forward specific proposals on how to implement this outline. It subsequently organized a 100-member group to extensively explain and publicize the basic guidelines laid down by the "Outline of Report." The "Outline of Report" reflected the demands placed by the central authorities on Shanghai and the aspirations of the people in the city. With this kind of common goal for struggle, there is great hope to rejuvenate Shanghai's economy if we are able to mobilize and organize all the party members, cadres, and people in the whole city to work hard to achieve such a goal.

2. Efforts must be made to overfulfill the "Sixth 5-Year Plan" and lay a fairly good material foundation for the smooth implementation of the "Seventh 5-Year Plan."

During the "Sixth 5-Year Plan," a fine situation characterized by sustained, stable, and coordinated developments in making readjustments and reforms in the development of Shanghai's economy prevailed. The total output value in Shanghai rose by an average of 8.8 percent each year. The city's total output value of industry and agriculture increased by an average of 7.4 percent each year. Indsutrial production steadily rose, while light and heavy industries developed in a coordinated manner. In developing its rural economy, the city followed the path of diversified management and comprehensive developments with overall increases in agricultural, sideline, and industrial production. Supplies to the market became gradually more abundant instead of being constantly in great demand. The city's retail sales rose by an average of 14.5 percent every year. Trade volumes with foreign countries and other localities in the country continued to expand. Shanghai had already established direct trade ties with more than 160 nations and regions throughout the world. During the past 5 years, contracts of various types for the use of foreign investments worth $1.27 billion were signed and over 800 advanced technologies were imported. At the same time, Shanghai set up over 2,000 integrated economic establishments of all types, signed over 4,000 agreements for technical cooperation, and provided consultations on more than 15,000 occasions to 28 fraternal provinces, municipalities, and autonomous regions. The production setup in the entire city is being readjusted step by step. With the simultaneous development of the primary and secondary industries, tertiary industry in such fields as commerce, communications, transportation, and public utilities are also rapidly developing. Active efforts have been made to readjust the ratio of investments in fixed assets. The investment structure became gradually more rational, and the municipal construction work has gradually accelerated. Efforts were made to consolidate all enterprises and help them improve. In doing economic work, the city attached great importance to raising economic efficiency. The city's revenue rose by an average of 5.8 percent each year, contributing a great deal to bringing about a fundamental turn for the better in the nation's financial and economic situation.

Definite progress was made in science and technology, education, culture, and other fields. During the "Sixth 5-Year Plan," the city scored more than 5,400 important achievements in science and technology, some of which approached or reached the level of the advanced nations of the world. The city witnessed rapid developments in its higher education and strengthened its basic education. Secondary education was improved and adult education further expanded. New progress was scored in the fields of journalism, press, radio and television, literature and art, medicine and public health, and sports.

The people's living standards were markedly improved. During the "Sixth 5-Year Plan," per-capita consumer spending rose by an average of 7.1 percent every year when the cost of living increase was factored in. As of the end of 1985, urban and rural saving deposits increased by 130 percent as compared with those in 1980. Over the past 5 years, nearly 1 million people were given jobs, and the problem of young intellectuals awaiting jobs--a problem which

remained unresolved over the past several years--was basically resolved. Twenty million square meters of housing was completed over the past 5 years. That was equal to 87 percent of the total area of housing completed in the 30 years before 1980. This helped some city residents solve their housing problems.

During the "Sixth 5-Year Plan," the achievements in Shanghai's economic construction were inseparable from the city's reforms in economic structure. In reforming its economic structure, the city expanded the enterprises' decision-making power; preliminarily changed the method of income distribution, the method of "everybody eating from the same big pot"; and set up all types of economic reponsiblity systems. In the city's suburban areas, the household contract responsibility system with remuneration linked to output was adopted, and the rural production setup was further readjusted. The system of procuring and marketing farm and sideline products was reformed, and a number of trade centers for manufactured consumer goods, farm and sideline products, and means of production were established. The commodity circulation system was turned into an open and multichannel one. With the system of public ownership still predominant, the city developed diversified economic forms and various methods of operation and improved economic relations among enterprises and regions. Shanghai also began to attach great importance to controlling the economy through economic means and carried out some reforms in planning, pricing, and financial affairs, and in the system of extending credits and determining workers' wages. Although the reforms made over the past few years in the city were preliminary, they played a positive role in developing the economy and raising economic efficiency, and provided rich experience for the overall reforms to be made during the "Seventh 5-Year Plan."

3. A better social climate for reform and the open policy has evolved from the consolidation and enhancement of a stable and united political situation.

Since the 3d Plenary Session of the 11th CPC Central Committee, party organizations at all levels have, through an extensive implementation of the various party policies, steadfastly redressed a large number of mishandled cases from "the Great Cultural Revolution" and have effectively solved scores of problems from previous political movements. They have launched an extensive drive to totally negate "the Great Cultural Revolution," conscientiously conducted investigations into "the three types of people," and fired up enthusiasm in all quarters for socialist construction. Devotedly carrying out the four modernizations and pooling efforts for the development of social productive forces have become the practical acts of the broad masses of party members, cadres, and the people.

In accordance with the provisions under the State Constitution, Shanghai has gradually perfected the system of people's congresses at all levels, safeguarded the people's democratic right to become masters, and extended socialist democracy to all sectors of society. It has persistently conducted education on sectors of society. It has persistently conducted education on socialist democracy and the law, used legal weapons to wage a thoroughgoing and sustained struggle against economic and criminal offenses, meted out punishments in accordance with the law to a large number of criminals who have done serious

harm to socialist economic construction and the people's lives and properties, and stepped up overall efforts. These have brought about a noticeable improvement in public order. In addition, the municipality has extensively promoted socialist ethics, created civilized units, organized tours for reporting on exemplary deeds, and mounted reading activities for revitalizing China. These have encouraged and led Shanghai's citizens to emulate the advanced, foster ideals, and adopt new workstyles. Party and government leaders and cadres at all levels have also established a variety of systems for liaison with the people to promote understanding of the current situation and policies and increase ideological interaction with the cadres and the masses. All these efforts have created a good social climate for ensuring success in carrying out reform and the open policy.

4. Organizational preparations for economic and social development have been made through the reorganization and enrichment of leading bodies at all levels.

After the 2d Plenary Session of the 12th CPC Central Committee, Shanghai began to launch a sweeping party rectification drive in accordance with the central unified planning. The second stage is proceeding in a sound way. Party rectification has promoted construction, reform, and the building of leading bodies. In recent years, the municipal party committee has made a major readjustment of leading bodies at and above the prefectural, county, and bureau levels; cultivated a large number of virtuous and capable young cadres; promoted cooperation between new and old cadres; and facilitated the replacement of old cadres with young ones. As a result of the readjustment, leaders at and above the prefectural, county, and bureau levels are 8.6 years younger on the average, and the number of leaders with higher education has risen to 69.1 percent. Accordingly, the age, educational, and professional structures of most leading bodies have improved. The leading ranks of Shanghai's 208 large- and medium-scale key enterprises and a considerable number of individually owned small-scale enterprises have also been reorganized, thereby increasing the vitality of enterprise leading bodies. Under the principle of rendering cadres more revolutionary, younger in average age, better educated, and more professionally competent, Shanghai has built an initial reserve force of cadres at the bureau and departmental levels, thereby creating conditions conducive to improving leading bodies. Many experienced and old veteran comrades have played an exemplary role in abolishing the existing system of lifetime tenure by retiring from their frontline leading posts. Reorganization and enrichment of leading bodies at all levels in accordance with the requirements for rendering cadres more revolutionary, younger in average age, better educated, and more professionally competent are significant to Shanghai's economic and social development.

As in other parts of the country, the current political and economic situation in Shanghai is excellent. However, our thinking still lags behind the trend of developments, and the gap between our work and the requirements of the central authorities is still considerable. It is necessary to be keenly aware of the fact that there are many difficulties and problems, particularly the following ones, on the road of advance:

a. Problems such as undeveloped infrastructure; poor communications, postal, and telecommunications services; shortages of residential buildings and public utilities; and serious environmental pollution are still rather grave, hampering Shanghai's efforts to build itself into an open and multifunctional pivotal city.

b. Lack of progress in earning foreign exchange through exportation has adversely affected Shanghai's efforts to introduce more technologies and use more foreign funds.

c. Some reform measures are incomplete, and reform of macroeconomic control lags behind the new situation of microeconomic activity, thereby obstructing the complete functions of microeconomic vitality and market mechanism.

d. Shortages of financial and material resources and specialized personnel have limited the pace of Shanghai's economic and social development.

e. Inadequate attention has led to unsatisfactory results in building a socialist spiritual civilization.

We should have an adequate understanding of these problems. Only by fully affirming the achievements that we have already made and by realistically assessing the various problems confronting us can we expect to build our work on a firm and reliable foundation.

The Seventh 5-Year Plan is a crucial period in Shanghai's socialist modernization drive. We should conscientiously carry out the guidelines laid down by the National Conference of Party Delegates, thoroughly implement Shanghai's economic development strategy, firmly advance reforms and promote the policy of opening to the outside world, adhere to the policy of simultaneously promoting material and spiritual civilizations, and do our best to achieve a self-sustained economic growth at the earliest possible date and fundamentally improve party style and the social atmosphere so that we can lay a solid foundation for building Shanghai, by the turn of the century, into an open and modern socialist city with multiple functions, rational industrial structure, a modern scientific and advanced technological foundation, with a highly-developed civilization. This is a common task of all party members and the people of Shanghai during the next 5 years. We should all actively throw ourselves into the magnificent undertaking of reforming and invigorating Shanghai with unshakable will, a creative spirit, a down-to-earth workstyle, and an undefeatable confidence, and make great contributions to accomplishing our common task.

Creating a Total New Situation in Shanghai's Socialist Modernization Drive

The proposal of the CPC Central Committee for the Seventh 5-Year Plan, approved by the National Conference of Party Delegates, has presented an encouraging blueprint for national economic and social development in the latter 5 years of the 1980's, and inspired the people of Shanghai, as well as the entire nation, to struggle in unison for our great cause. The Seventh 5-Year Plan in Shanghai is an important part of the nation's Seventh 5-Year Plan. We should

comply with the general requirements of building a socialist country with Chinese characteristics, and the general principle of enlivening the domestic economy and opening to the outside world. Under the guidance of the state's plans, we should, by relying on all the people of Shanghai and by taking full advantage of Shanghai's policy of opening to other localities and the outside world, make full efforts to absorb advanced technologies in order to modernize conventional industries, open up new ones, develop tertiary industry, and gradually improve our infrastructure; plant our feet in Shanghai in order to serve the entire nation and the whole world, and serve as a pioneer in carrying out the nation's four modernizations program. This is the basic consideration in mapping out our Seventh 5-Year Plan.

According to the requirements mentioned above, the major goals of Shanghai's Seventh 5-Year Plan are: under the precondition that economic efficiency should continually be improved, we should strive to double the total 1980 production value by 1990; the percentage of output value in tertiary industry in the total production value should be raised from the current 26 to more than 30; the percentage of value of export commodities in the total value of commodities produced in Shanghai should be raised from 30 to about 40, we should strive to raise the quality of major industries and products in Shanghai to the level achieved by industrialized nations in the late 1970's and early 1980's; the total number of professional workers in all fields should increase by 65 percent; we should strive to achieve relatively good results in improving the infrastructure; the actual per capita consumption level of the residents in urban and rural areas should be raised by 6 percent annually on average; we should further improve Shanghai residents' life quality and living environment and conditions; we should strive to gradually turn Shanghai residents' consumption pattern into one for comfortable living.

There are many things to do in order to accomplish the above-mentioned tasks and achieve the established goals, and therefore we must single out the most important ones. In the opinion of the municipal party committee, in promoting material civilization, it is important to pay attention to three major tasks, namely: stepping up construction of the infrastructure; actively making use of foreign capital and increasing exports for more foreign exchange, and speeding up scientific and technological progress and education of specialized people. These are the keys to carrying out Shanghai's economic development strategy and to building an open and modern socialist city with multiple functions. In promoting the socialist modernization drive, we must insist in putting reform above everything else, so that reform and development can accommodate and advance each other. In promoting spiritual civilization, we should strive to bring about a fundamental improvement in party style and the social atmosphere at the earliest possible date, educate a new generation to carry forward our socialist cause, and create a new socialist mood. Only by taking the overall situation into consideration and paying attention to key issues can we effectively drive forward Shanghai's economic and social development and smoothly accomplish our tasks in various fields. For this reason, we should further unify our understanding and take effective measures in order to properly carry out work in the following five areas:

1. Strengthen the construction of basic facilities, improve the investment and living environment.

Basic facilities are fundamental for developing the national economy and for bringing into play the functions of cities; they are also important for the investment environment. Exactly as pointed out by the leading comrades of the central authorities, the situation regarding Shanghai's basic facilities has a direct bearing on Shanghai's position in the Asia-Pacific region. If such facilities are not managed well, Shanghai will probably suffer a decline. From now on, Shanghai should improve its basic facilities and its investment environment in a planned way, with stress on proper areas. We should fully understand the important role of strengthening the construction of basic facilities in remodelling and reinvigorating Shanghai; and in accordance with the demand for unifying urban and rural areas we should integrate the remodelling of old city districts with the construction of new ones, while improving the basic facilities in a planned way.

In order to speed up the construction of basic facilities, it is necessary to base ourselves on the present conditions and make a long-term plan, as well as to adopt a principle of emphasizing both the appearance and the internal structure and of consolidated remodelling. During the "Seventh 5-Year Plan," with stress on improving city transportation, developing posts and telecommunications, increasing the supply of energy, controlling environmental pollution, and speeding up housing construction, it is necessary to build a number of important basic facilities on an installment basis; to make a firm commitment to solve some conspicuous contradictions in opening to the outside world, enlivening the domestic economy, and people's livelihood; and to score achievements and practical results in these aspects of work, thereby enabling the people to realize hopes and increase their confidence.

In improving urban transportation, the important point is to solve traffic congestion at surface intersections of city railways and roads, overcrowding in the ferries on the Huangpu Jiang, problems at the "bottlenecks" of the city's central area transportation, and the contradictions posed by the inadequate transportation capacity of railway stations, harbors, and airports. During the "Seventh 5-Year Plan," plans have been mapped out to complete the construction of an outer-loop project for the Shanghai-Hangzhou Railway basically to solve the problems of railway operations interferring with city transportation; to complete the construction of a cross-river tunnel on Yanan Dong Road to relieve the overcrowding on the ferries and to create conditions for developing Pudong; to complete the construction of the Shanghai-Jiaxing and Xinchang-Songjiang first-grade highways to strengthen contacts with the satellite cities and towns; to remodel Zhongshan Circle Road and open the end of Chengdu Road to improve the urban south-north transportation; to complete the construction of multitier roads with multiple lanes; to start the construction of a subway to increase the transportation capacity of the city's central area; to complete the construction of a new railway passenger station and a number of new terminal tracks; to expand the passenger terminal at Hongqiao Airport; and to increase the loading and unloading capacities of railway stations, harbors, and airports.

Plans have been mapped out to develop posts and telecommunications; to complete the construction of a telecommunications building, a mail transfer station, and a number of post and telecommunications bureaus and offices; to adopt program-control exchange equipment and new communications technology vigorously; to develop international and domestic direct-dialing telephone business comprehensively; and to basically complete the automation of information flow and communications between Shanghai and major cities at home and abroad, thereby bringing about a marked improvement of irregular communications.

Plans were also mapped out to increase energy supply to solve major contradictions between supply and demand of electricity and gas; to build a new power plant at Shidongkou and expand the old plant; to complete the construction of three 500,000-volt power transmission and transformation lines extending from Xuzhou, Huainan, Gezhouba to Shanghai and a number of power transmission and transformation facilities in the city area, thereby enabling power supply basically to meet the needs of economic development and people's livelihood; to complete the construction of gas plants in Pudong and other places and remodel some major old plants, thus raising the rate of popular use of gas from the present 52 percent to around 80 percent.

Plans were mapped out to control environmental pollution with stress on solving the problem of polluted water treatment; to build a number of polluted water treatment plants and a city polluted water converging project to improve the quality of water in the Huangpu Jiang and Suzhou He and, at the same time, to complete the construction of a water diverging project in the upper reaches of the Huangpu Jiang and several water drainage projects in the city area, thus enabling the residents to drink fine-quality tap water and bringing about a basic improvement in the incidence of flooding after torrential rains in most parts of the city.

Housing construction should be accelerated so that the housing shortage can be eased and the living conditions of the people improved. At the same time, it is necessary to build tourist hotels, apartments, and office buildings in order to cope with the needs of the country's opening to the outside world.

Moreover, we should build a Shanghai domestic trade center consisting of several highrises, as well as a number of cultural and recreational facilities, including an international conference center, a cinema arts center, a Shanghai art gallery, and libraries, and in particular revamp the large areas on Tianmu, Zhaojiabin, and Siping roads in order to further improve the city's appearance.

Although the completion of these projects will markedly improve the backward infrastructure of Shanghai, much still needs to be done in order to meet the demands on Shanghai as a multifunction city in the course of opening the country to the outside world and invigorating the domestic economy. In view of the large sum and long construction period required for the infrastructure and our serious shortage of funds, we must explore all available financial resources in the country and concentrate them on infrastructure construction. From now on, local financial resources should primarily be used in infrastructure construction. At the same time, in order to provide a steady source of

funds for urban construction, it is necessary to accelerate the pace of commercializing housing and develop the real estate business in accordance with relevant government regulations. Preferential treatment should be given to attract other fraternal localities in the country to take part in Shanghai's construction. We should realize that due to mounting problems in urban construction, it is impossible to improve Shanghai's backward infrastructure within a short time with just the local financial resources and funds available in the country. It is necessary to take the opportunity of the country's opening to the outside world to promptly seek new ways for utilizing foreign funds, raise funds abroad, and more effectively utilize foreign capital within our capabilities. This should be a strategic measure for accelerating Shanghai's economic development.

In view of the systematic nature, complexity, and difficulty in infrastructure construction, we should map out unified planning and carry out the construction with the cooperation of all quarters. It is necessary to closely and effectively coordinate the overall plan, design, and construction of a project. As infrastructure construction serves all circles and units and benefits all trades and professions, they should undertake responsibilities and duties for the construction. When a construction project contradicts the interests of a certain unit or individuals, it is necessary to consider the overall situation and actively cooperate with the construction in order to ensure its smooth progress. All districts and counties should vigorously organize and cooperate with the construction of infrastructure.

2. Actively utilize foreign capital and increase exports to earn more foreign exchange and expand domestic and foreign economic and technical exchanges

Opening the country to the outside world is our basic national policy, as well as an objective demand for transforming and revitalizing Shanghai to better serve the modernization drive. Actively utilizing foreign capital and increasing exports to earn more foreign exchange are two important and interrelated aspects of the policy of opening the country to the outside world. We should strive to achieve greater progress in these two aspects during the Seventh 5-Year Plan.

An effective way for speeding up the transformation of old industrial bases is to increase the utilization of foreign capital to import more advanced foreign technology. We must further emancipate the mind and actively carry out the work in utilizing foreign capital. Foreign capital and imported technology should be mainly used in key urban infrastructure construction projects, projects that can produce more export goods or that produce "goods that can be substituted for imports," and major technological transformation projects. In utilizing foreign capital, we should, in addition to attracting investment from foreign businessmen, raise funds directly from the international money market, especially commercial loans from abroad, in order to gradually set up a multichannel system of utilizing foreign capital. While paying close attention to bringing Shanghai's advantages into play, we should apply imported technology in strengthening our own research and development by earnestly digesting, absorbing, applying, and innovating the technology and striving to develop such technology in the country in order to build up our self-reliance and facilitiate the technological transformation of Shanghai and other fraternal localities.

Utilizing foreign capital to transform our infrastructure is a very complicated job. We must uphold the principle of doing our work vigorously and prudently. This means that we must weigh advantages and disadvantages in boldly borrowing and lending money; in carrying out specific tasks, we must proceed from reality, do what we can do, and make early preparations in order to ensure the completion of our tasks one by one. At present, we must strengthen investigation and study and, in accordance with the characteristics of foreign capital and the varying circumstances, adopt diverse forms of repayment in order to raise economic results in utilizing foreign capital. Projects that can earn foreign exchange and can repay themselves should be built and run by ourselves by using commercial loans. As for projects that cannot earn foreign exchange and repay themselves right away, we should utilize long-term, low-interest loans from foreign governments and international monetary organizations and develop and operate them together with complete projects that can earn foreign exchange. Thus, a basic balance in foreign exchange may be achieved, and the municipality will overall be able to make repayments. Some other projects may be developed and operated by foreign investors through public bidding and in accordance with our plans. We must consolidate and develop Chinese-foreign joint ventures, cooperative enterpirses, and enterprises solely financed by foreign businessmen. We should, in accordance with the principle of equality and mutual benefit and the relevant laws and regulations, fully protect the legitimate rights and interests of Hong Kong compatriots, overseas Chinese nationals, and foreign merchants who make investments and develop economic and technical cooperation in Shanghai.

The key to opening to the outside world, utilzing more foreign capital, and importing more technology lies in increasing our exports and earning more foreign exchange. To solve this question, which has a bearing on Shanghai's modernization, we should make the expansion of exports for the purpose of earning more foreign exchange an important goal of the municipality's economic development. Economic departments in the various localities should, in accordance with the demands of the international market and the principle that domestic sales be subordinated to foreign sales, readjust the proportion of distribution of domestic and export commodities, readjust the product mix, raise the quality of products, enhance the competitiveness of commodities, and manufacture more brandname products that are readily marketable. While continuing to consolidate and develop the advantages enjoyed by our light industrial products, we should attach importance to the export of machinery, electrical equipment, chemical products, and heavy industrial products. We should continue to promote trading among factories and peasants as well as technological trade, and should further enliven our foreign trade. We should improve step by step our existing economic policies and award methods to encourage exports; in principle, we should return the retained portion of foreign exchange to the fraternal provinces and cities whose export products are responsible for earning the foreign exchange; we should set up a special fund for export awards in order to encourage enterprises and individuals that have contributed to earning foreign exchange by exporting products.

We should gradually establish an export production system. In accordance with the demands of the international market and in conjunction with the reform to restructure the foreign trade system, we should adopt diverse forms in

establishing an export production system. A system with regulations different from those put into effect throughout the country should be enforced in such fields as proficiency assessment, pricing system, taxation policy, foreign exchange retention, and rewards and bonuses. In this way export enterprises will be able to win political honor and reap economic benefits, and will be enthusiastic about earning foreign exchange. We will advance in two steps during the Seventh 5-Year Plan period: in the first 3 years we will devote our efforts to building foundations, or to making preparations, by having industrial and trading departments map out a joint program for developing some principal export products and key factories. The plan will be carried out step by step. In the last 2 years of the 5-year plan we will concentrate on improving the specialized factories we have established. We will also select some factories to manufacture products that have good prospects for development. In this way a basic export production pattern and system will take shape in Shanghai.

We should adopt flexible and diverse methods in opening up to the international market. Industrial and foreign trade departments should work out a new strategy to open up to the international market after making investigation and study. We should consolidate and develop markets where we already have established a foothold, make vigorous efforts to open up new markets, and expand trade and exchanges with various countries and regions of the world.

We must strive to increase foreign exchange earnings through undertakings other than foreign trade. Along with our growing economic and technical exchanges, as well as trade, with foreign countries, we will definitely face bright prospects in such undertakings. We should vigorously promote tourism, international air freight and marine transportation business, and foreign insurance business, and do a good job in providing good service to foreigners. At the same time, we should strive to increase foreign exchange earnings by expanding export of labor services and contracting more construction engineering and scientific and technical research projects with foreign countries.

Opening to the outside world and establishing lateral ties at home should supplement each other. In establishing horizontal economic ties and carrying out reform at home, we must adhere to the principles of making the best possible use of favorable conditions and avoiding the unfavorable, diversifying forms of cooperation, benefiting each other, and seeking common development; we must map out, as quickly as possible, plans for establishing such ties in order to open up new ways for cooperation between various regions in the country. We should take the initiative to cooperate with the provinces and cities within the Shanghai Economic Zone, as well as other fraternal regions, in setting up a number of joint production bases for famous brand products, bases for developing a series of products through scientific research, comprehensive bases for developing important resources, and bases for coordinating and processing export commodities, thereby forming blocs of new enterprises comprising different regions and departments. The intensified lateral ties between enterprises will smash the trammels shackling different regions and departments, promote planned development of the commodity economy, rationalize enterprise structure, liberate the social forces of production, make optimum use of favorable conditions, and bring about common prosperity of Shanghai and other regions.

3. Speed up scientific research and training of specialized personnel to facilitate transformation of traditional industry, steady expansion of production, and advances in all fields.

It is an important measure of the Seventh 5-Year Plan to apply scientific research projects and advanced technology to accelerate technological transformation in various economic sectors of Shanghai and rebuild old bases on new technological foundations. We must uphold the policy that "economic construction must rely on science and technology, and scientific and technological work must serve economic construction" by stepping up cooperation between scientific and technological departments and economic departments and facilitating the transfer of scientific research projects to production so that science and technology can play a more effective role in strengthening the infrastructure, increasing foreign exchange earnings, transforming traditional industries, and exploring new fields of industry.

In order to lessen our gap with world advanced levels, we are confronted with a pressing task to skip certain stages in the development of certain important fields in traditional technology by applying new technology of the world to transform our traditional industries. Shanghai's traditional industries face problems of outdated technology and equipment. Based on the strategic demands of economic development and readjustment of the industrial pattern in transforming and developing Shanghai's traditional industries, we should focus our attention on raising economic efficiency and upgrading product quality; in line with the requirements for reducing energy and material consumption, transport distance, and industrial waste and increasing technological intensity and product value, we should organically combine the readjustment and reorganization with the transformation, thereby gradually eliminating poor quality products and systematically developing high technology products, fine quality and famous brand goods, and export commodities.

As industry is the main body of Shanghai's economy, to maintain sustained growth of industry is of primary importance for expanding exports, maintaining a prosperous domestic market, providing more funds for infrastructure, and increasing state accumulation. During the Seventh 5-Year Plan, Shanghai's industry production should increase at an average annual rate of 6 percent, a growth rate that is appropriate and will be conducive to the strategic changes of economic development and the smooth progress of reform, as well as to a sustained, steady, and balanced growth of the national economy. Industrial departments should pay close attention to technological transformation and present production tasks and concentrate efforts on readjusting product mix, improving product quality, lowering consumption, and strengthening management in order to produce goods in great demand in domestic and international markets and fulfill or overfulfill planned tasks on the basis of better economic efficiency. Shanghai's industry consists primarily of the processing industry. Along with progress in economic structural reform and changes in the circulation system, problems will crop up in the supply, production, and marketing of industrial goods. We should constantly study new situations and bring into full play Shanghai's economic advantages in order to gradually develop industry on a new pattern.

The transformation of traditional industries is closely connected with the promotion of new, developing technologies. During the "Seventh 5-Year Plan," we must attach importance to the promotion of new, developing technologies and work hard to make breakthroughs in the fields of microelectronics, biological technology, optical fiber communications, new-type materials, and others so that industries may be fostered in some of these fields. We must continue to strengthen our basic research work in these fields that will greatly affect the national economy, vigorously put the results of basic research work into practice, and pay attention to some intermediate and long-term projects that will greatly affect the national economy and the people's livelihood and are of great strategic significance. We must actively promote the "Spark" Plan; accelerate the training of scientific and technical personnel in the countryside; and develop some short-term technical development projects that are compatible with the technical standards of medium-sized and small enterprises and will have quick economic results. We must bring into full play the exemplary role of such projects while raising the scientific and technical standards and the administrative standards of medium-sized and small enterprises and town and township enterprises in developing rural construction.

Qualified people constitute the key and education is the foundation in facilitating scientific and technical progress and accelerating construction work in all fields. The leadership at all levels should attach importance to intellectual development and pay attention to education just as they do to economic work. Based on the fact that education must serve the modernization drive and the world and meet the needs of the future, we must study and work out the development strategy for education in Shanghai, readjust the educational structure, reform educational concepts and methods, train more teachers, and further develop Shanghai's education while ensuring quality in the educational field. To train qualified personnel, we must proceed from preschool education and primary and middle school education. It is estimated that enrollment in childcare centers, kindergartens, and primary and middle schools will reach a peak during the "Seventh 5-Year Plan" period. All sectors in society must pool their efforts to pay attention to and tackle this issue as early as possible. It is necessary to actively create conditions for the popularization of the 9-year compulsory education system in rural and urban areas by 1987 and to lay the foundation for the popularization of senior middle school education in the 1990's. In popularizing higher education, it is essential to tap the potentials of the existing institutions of higher learning; rebuild and expand them if necessary; readjust professional departments; strive to raise educational standards; train more professionals in various specialties, high-level administrators, and highly competent teachers that are badly needed, so that more students can be enrolled in institutions of higher learning. Efforts must be made to promote adult education and various on-the-job training at different levels and through various channels. Vocational and technical training centers must be set up in all fields of endeavor to gradually form a system to promote vocational and technical education. Efforts must be made to strengthen the building of all party schools and cadre schools to form a cadre education network. Through all types of education, we must help all workers markedly raise their political, ideological, cultural, and technical levels; we must train a group of first-rate and outstanding qualified people who will distinguish themselves at home and abroad;

and we must educate more able personnel, cadres with managerial expertise, and competent rural and urban workers for Shanghai's transformation and rejuvenation.

To develop science, technology, and education, it is necessary to earnestly implement "the decision made by the CPC Central Committee on reforming the scientific and technical system" and the "decision made by the CPC Central Committee on reforming the educational system" in close connection with the actual situation in Shanghai. Efforts must be made to adequately increase investments in scientific research and education. The growth rate of appropriations for science and technology and for education must be higher than that of regular revenue. It is essential to further implement the policy on intellectuals; to respect knowledge, qualified personnel, and teachers; and to create a fine social environment and necessary working conditions to strengthen personnel training, tackle key problems in science, and make new inventions. There are a total of 49 ordinary institutions of higher learning, nearly 1,000 scientific research organizations, and 550,000 professionals of all types in Shanghai. All these constitute the main force in developing the economy, science and technology, social progress, and research. We must rationally determine the division of labor on the basis of their own special characteristics, help them coordinate with one another, and make the best use of the specialties of all types of professionals at all levels. Full attention must be paid to developing mass activities to carry out technical innovations and rational proposals. It is essential to encourage scientists and technicians, administrative personnel, and skillful craftsmen to carry out innovations and promote creations. Among retirees, there are some experts, scholars, administrators, and technical workers. We must proceed from actual conditions, and adopt various measures to continuously bring their role into full play.

4. Persist in the overall reform of the economic structure and ensure the implementation of Shanghai's economic development strategy.

The development of a planned socialist commodity economy is the prerequisite for bringing into play the multifunctional role of Shanghai as an urban center; further implementing the policy of developing an open domestic economy and opening to the outside world; and developing tertiary industry. Economic structural reform being undertaken in recent years is designed to change the old economic structure into a planned commodity economy. If we do not make the change, Shanghai will lack vitality in economic development and will be unable to bring into full play the comprehensive functions of an economic center. We should firmly implement the "decision of the CPC Central Committee on reform of the economic structure," and reform our economic structure unswervingly, prudently, and reliably. This is an important strategy in an all-round way.

While listening to a briefing on Shanghai's work, Comrade Zhao Ziyang pointed out: Shanghai should be ahead of other cities in urban reform and make a breakthrough in it. I hope that Shanghai's comrades bravely assume this glorious and arduous task, and contribute to accomplishing the great task of economic reform of our country. We should persistently put the reform above everything else, handle correctly and well the relationship between reform and construction, and make reform and construction coordinate with and promote each other.

We should follow the demands set by the Central Committee on the reform of the economic structure in its proposal for the Seventh 5-Year Plan. We should follow the Central Committee's instruction that reform of the economic structure in 1986 must adhere to the principle of "consolidation, digestion, supplement and improvement." We should consider Shanghai's reality. After consolidating and enhancing the results of the current reform, we should conscientiously sum up experience, conduct investigation and study systematically, and prepare ourselves to continue to make important strides forward in reform the next 2 years. During the Seventh 5-Year Plan, Shanghai should make a breakthrough in restructuring the economy in the following respects:

We should take a further step toward increasing the vitality of enterprises, particularly large- and medium-sized state-run enterprises. This is a central link in the restructuring of the economy, with the focus on the urban economy, as well as a basis for invigorating the national economy as a whole. We should continue to implement the State Council provisions on giving enterprises greater decisionmaking powers and the specific procedures prepared by the municipal government for implementing the provisions. While strengthening indirect control, we should gradually reduce our direct management of enterprises. We should step by step lower the regulatory tax, increase the rate of depreciation, practically reduce unreasonable burdens on enterprises, and enhance the ability of enterprises to transform and develop themselves. We should strive to experiment on collecting retirement contributions from workers and staff members of state and collective enterprises and gradually establish a new social security system. We should invigorate small state enterprises through the process of contracting, leasing, transferring, or other actions, and further develop the collective economy and the individual economy dealing primarily with labor services. All enterprises should pay attention to their internal affairs; constantly improve the system of economic responsibilities; continue to reform their management, personnel system, and distribution system; implement the system of the director or manager assuming full responsibility; improve overall quality; and bring into better play their strengths and potentials. At the same time, we should gradually improve the city's economic management system in accordance with the principle of divided functional responsibilites between government and enterprise. The readjustment and reform of administrative corporations should be carried out step by step in a planned way. We should conduct experiments first in the bureau of mechanical and electrical industry and in the administration of medicine to gain experience, and then gradually popularize the experience in other trades.

We should develop the commodity market in a planned way to gradually perfect the market system. In order to establish and perfect the socialist market system, we should first make great efforts to develop the commodity market. In the consumer goods market, we should let state-operated commerce play a leading role, continue to develop diversified economic forms, and actively explore new commercial forms such as agricultural-industrial, agricultural-commercial, and agricultural-industrial-commercial combinations. We should strengthen and develop wholesale enterprises and trade centers. We should open our gates and welcome other provinces and cities to run firms and trading companies in Shanghai. We should encourage transregional associations formed between Shanghai's commercial enterprises and the commercial enterprises of other economic centers in China, promote two-way trade, and truly turn

Shanghai into a large commodity exchange center. In the meantime, it is necessary to develop the market for means of production and gradually make more goods and materials available on the market. State-run commercial establishments as well as goods and materials departments should actively participate in market activities to regulate supply and demand and hold down prices. It is also necessary to gradually open a banking market to facilitate capital flow. While trying to meet the requirements for establishing a socialist banking system which is centered around the central bank, is primarily reliant on specialized banks, and allows the simultaneous existence of difference kinds of banking organizations, we should, in view of the fact that Shanghai currently has few banks and credit instruments, increase the number of banks; successfully operate the communications banks; gradually expand banking business with foreign countries; promote capital flow among localities and specialized banks; vigorously encourage residents to make savings deposits; and develop the insurance service. It is necessary to further expand the technical market, encourage extensive technical transfers and exchanges with recompense, and establish integrated entities that encompass scientific research and production so that more scientific research results may turn into productive forces. Efforts should also be made to promote a reasonable flow of the labor force, ensure a healthy market for the construction industry, and explore ways to establish markets for housing, real estate, and information.

Comprehensive efforts should be made and all available means should be tried to strengthen and improve macroscopic control. In the near future, we should focus our attention on work in three fields: 1) Further improve the investment structure. To meet the requirements to keep the size of investment in fixed assets throughout China under control during the first 2 years of the Seventh 5-Year Plan we should, by tightening the control of credit and extrabudgetary funds, ensure that the overall scale of construction projects in Shanghai stays within the limits allowed by the state. Meanwhile, construction of new projects should be curtailed, and some projects under construction should be delayed so that we can concentrate our efforts on the key projects and other projects that have been completed and put into operation. 2) Strictly control the rate of price increases. Reform of the price structure will determine the success or failure of reform of the economic system as a whole. We made an important step forward in price reform in 1985. In line with the State Council's unified plan, we should continue to take effective measures to maintain basic stability of prices of consumer goods. Ensuring the supply of staple and nonstaple foods is an important matter for Shanghai. Leadership at all levels should pay attention to availability of commodities in the market, show concern for the people's livelihood, and try their best to increase production, facilitate circulation of goods, and guarantee their supply. 3) Study and explore ways to make comprehensive use of methods to regulate the economy. An important way to improve macroscopic control and establish a new system for such control is to apply econmic, legal, and all the necessary administrative means in a comprehensive manner in accordance with the principle of letting each level make its own decisions. We have instituted a system of joint meetings of economic departments that handle comprehensive matters and have gained some experience in coordinating measures for reform. From now on, we should simultaneously reform the planning, price, financial, banking, and labor and wage systems in a coordinated way so as to better use the various

economic leverages in a comprehensive manner. Meanwhile, we should improve economic legislation, enforce economic laws, tighten economic supervision, and build up an information network to gradually perfect the system for exercising indirect control.

While carrying out urban reform, it is necessary to do a good job in carrying out rural reform on the outskirts at the same time. In recent years, rural economy on the outskirts of Shanghai has developed continuously, steadily, and coordinately in the course of reform. It is advancing in the direction of unification between the urban and rural areas. However, there have also been some problems, such as the failure to implement some policies, failure to provide necessary conditions for reform, and lack of coordination in economic development.

During the "Seventh 5-Year Plan," it is necessary to persist in doing a good job in carrying out the second step of reform in accordance with the principle of comprehensive development of agriculture, forestry, animal husbandry, sideline production, and fishery, and the principle of consolidated management of agriculture, industry, commerce, and transport; as well as in accordance with the demand for self-sufficiency in grain among the peasants on the outskirts and the demand that the city depend on the outskirts for the supply of major nonstaple foods. It is necessary to continue to perfect the rural cooperation system; promote comprehensive development of the rural economy in a coordinated way; and speed up the transformation of such economy in the direction of specialization, commercialization, and modernization by relying on policies and science in order to provide still better service for the people's livelihood in the city.

Currently, it is necessary to make great efforts to grasp the two weak links, namely grain and feed; vigorously develop the production of nonstaple foods; and continue to give guidance and assistance in the development of town and village enterprises to increase the strength of "industrial support for agriculture." It is necessary to further delegate powers to counties to raise their ability to control the whole economic situation in a comprehensive way. It is necessary to make efforts to run state farms well. All trades and professions in the city should vigorously support the development of the rural areas on the outskirts. Shanghai, as a city, has always maintained a good tradition of supporting the rural areas, and it should continue to carry forward such a tradition in the future and score new achievements in supporting agriculture with industry, science, technology, culture, education, and public health activities.

Comprehensive reform of the economic structure with stress on the city is a tremendous social system project. Certain conditions are required to carry out the various reforms, and the results of some reform measures can only be noticed after a definite period of implementation. Therefore, we cannot expect instant results from each reform, nor can we demand that each reform bring tangible material interests to each member of society. In the course of reform, contradictions of all kinds will emerge, and there will probably be mistakes during investigation. Therefore, we should simtulaneously carry out our practice and sum up our experiences while steadily advancing. We

should never have any doubts about reform when we encounter contradictions. Without reform, there will be no way out. Problems that emerge in the course of reform can only be solved by further perfecting reform, and we should never retrogress.

The orientation, principle, and procedures of reform as determined by the central authorities are now all very clear. People of all circles have obtained a clearer understanding of the outline of the socialist economic structure with Chinese characteristics, and they are more unequivocal about the ways to proceed with reform in the future. If only we persist in regarding the public ownership of the means of production as the main body; adhere to the two fundamental principles of distribution to each according to his work and creating common prosperity; be good at proceeding from Shanghai's reality; carry forward the courageous spirit of making initiatives; boldly probe and advance, and, at the same time, adopt an attitude of prudence in handling actual reform procedures, we will certainly be able to push forward every reform.

5. Strengthen the building of socialist spiritual civilization, bring up a generation of new people, and foster new customs.

Socialist material civilization and socialist spiritual civilization are interdependent and promote each other. Comrade Deng Xiaoping pointed out: "Material progress will suffer delays and setbacks unless we also strengthen the building of a spiritual civilization. We will never succeed in revolution and construction if we rely on material conditions alone." We should attach great importance to the building of a spiritual civilization. This is our party's long-term strategic principle, which is also a fundamental principle we must uphold in order to accomplish the strategic goal of carrying out reforms and invigorating Shanghai. Shanghai is the largest economic center of our country and is more civilized and more advanced than other cities of China. In the course of promoting socialist modernization, we must strive to achieve progress both materially and spiritually; we must not only turn out firstclass material products but must also turn out firstclass intellectual products, bring up a generation of new people, and foster new customs.

In building a socialist spiritual civilization, we should begin with efforts to raise the basic quality of our people and strive to bring up new people who cherish lofty ideals and moral integrity, who are better educated, and who observe discipline. Major changes in the people's economic life brought about by reforms and economic development will also inevitably bring about a profound change in the people's way of thinking, cultural life, and lifestyle. This profound change in turn will require that people have higher political consciousness as well as higher scientific and cultural levels. In accordance with the demands of the new historical period, we must unremittingly conduct education among cadres and the masses with the goal of turning them into people who cherish ideals and moral integrity, who are better educated, and who observe discipline; we must uphold the four basic principles, resist and oppose the corrosive influence of capitalism and decadent feudal ideas, resist and oppose bourgeois ideas of liberalization, and carry forward the revolutionary spirit of working hard to realize socialist modernization and

invigorate the Chinese nation. In bringing up a generation of new people, we must pay special attention to the upbringing and education of young people. The upbringing of children and the training of university students and post-graduates rely on the coordination of school education, social education, and home education. We should unfold various forms of educational activities suitable to their characteristics and make good use of typical examples of advanced persons who cherish communist ideals in real life to guide them to gradually foster a revolutionary outlook on life and a scientific world outlook. This will enable our young people to develop morally, intellectually, and physically. In the light of reality, all trades and enterprises should strengthen education on vocational ideals, vocational ethics, and vocational discipline; carry forward the new civilized habit of observing public morality and gladly helping others; and further promote the new social relationship in which there is unity, mutual assistance, and mutual love among people, so as to turn an increasing number of them into workers who cherish ideas and moral integrity, who are better educated, and who observe discipline.

To advance the building of a socialist spiritual civilization, we must further improve our ideological and political work. This work is the lifeline of economic work and all other work. All party committees should do a good job in ideological and political work by adopting effective measures and by relying on party members and other forces in society. We should strengthen the building of contingents of political workers, bring into play the role of political work departments, and carefully study the characteristics of ideological and political work and the laws governing it in the new historical period, so as to make ideological and political work better serve realization of the party's general tasks and goals, to closely coordinate with economic development and economic reform, and to meet the needs of the new situation. We should conduct indepth education on patriotism, collectivism, socialism, and communism among the people throughout the municipality. In addition, we should frequently conduct education among them on the situation and policies. In conducting such education, we should take into account what the masses are thinking and adopt flexible and varied forms of education to guide them to correctly understand and handle the relationships between rigid methods of reforming the economic structure and adherence to socialist orientation; between developing the socialist commodity economy and preventing the intrusion into the political sphere of the principle on commodity exchange; and between learning from advanced foreign science, technology, and managerial knowledge and overcoming the practice of worshipping and having blind faith in foreign things or blind opposition to everything foreign, so as to promote reforms and open to the outside world. Leading cadres at all levels in the party and government should go deep down among the grassroots from time to time and set up a system of contact with the masses. They should hold regular discussion meetings with the masses; listen attentively to grievances voiced by the masses at discussion meetings and at heart-to-heart talks and offer them explanations according to facts; timely redress unreasonable phenomena reflected by the masses. In solving ideological problems, we must persist in giving guidance or rely mainly on the principle of persuasion; we must not commit the "leftist" mistake again. We should be quick both in understanding and analyzing people's thought; correctly handle various contradictions among the people guide the masses to persist in the correct direction of socialism; ensure the

implementation of the party's line, principles and policies; and consolidate and develop the stable, united, and lively political situation.

The foundation for building a socialist spiritual civilization lies in strengthening the study of Marxist theory. Putting into practice China's great socialist modernization has provided very rich material and fertile ground for the development of Marxist theory. On the other hand, the great practice pressingly requires the guidance of theory. To meet the needs in building China into a socialist country with Chinese characteristics, we not only require professional and managerial knowledge; we must also study and understand the basic theory of Marxism. Only through knowledge, can we boldly engage in reform and raise our ability to solve new basic problems in politics, economy, society, and culture. In accordance with the Central instructions and within the framework of the cadre education plan, cadres at all levels, especially leading CYL cadres at the country level or above, should link with reality and within 3 to 5 years make a serious and systematic study of the basic theory of Marxism, modern Chinese history, party construction, contemporary world economy and politics, the international communist movement, and the important documents since the 3d Plenary Session of the 11th Party Central Committee. They should constantly strive to raise their ability to solve practical problems through the application of the Marxist position, view, and method of analysis in order to acquire a stronger sense of adhering to principles in work, a systematic approach, foresight, and creativity. Party schools at all levels should contribute more to raising Marxist knowledge among cadres. Philosophical and social science workers bear an especially heavy burden of strengthening theoretical construction. Shanghai is strong in philosophical and social science research and has shown results in such work. It should orient itself to important research projects such as on strategic problems in economy, science, and technology; social development; and economic structural reform, and strive to produce high quality research results during the Seventh 5-Year Plan.

At the same time, we should step up research on the latest branch of learning and on frontier science. Theoretical workers should closely link and cooperate with their own departments; bring the spirit of seeking truth from facts into play; breathe new life into academic circles; steadfastly and boldly persist in the fundamental principles of Marxism; daringly explore new problems cropping up during reform and construction; and strive to apply practical experience of the new historical period to enrich and develop Marxist theory.

Cultural construction is an important component in building spiritual civilization, which is also an important condition for expanding the people's spiritual realm and raising the masses' cultural level. Shanghai is one of China's important cultural centers having relatively good foundations in such cultural undertakings as scientific education, press, publication, radio, television, literature, arts, public health, and sports. With the development of the social economy and the raising of the people's material living standards, people are making more and more demands on spiritual and cultural life. We should satisfy the people's needs with more and better intellectual products and provide a good social and cultural environment for building material civilization. The production and circulation of intellectual products directly affect the people's

spiritual outlook and social conduct. We should put social benefits at the forefront, and raising of social benefits should come before economic benefits. As for the ideological and cultural fields, we should, on the premise of adhering to the four basic principles, seriously implement the principle "let a hundred flowers blossom and a hundred schools of thought contend." We should promote free exploration in literary themes, style, and forms of expression. We should also increase literary review work. Party ideological and cultural workers should have a strong sense of social responsibility. They should constantly strengthen party spirit and unity; persistently follow the correct way of serving the people enthusiastically go down among the masses and live with them; breathe the same air and share the same fate with the people and the country; constantly raise the quality of ideological, political, and cultural standards; strive to provide the people with spiritual food that is worthy of our great period, reflect new things cropping up in the great change; educate and encourage people to struggle for the four modernizations; entertain the masses with culture and fine arts; and contribute efforts to invigorate Shanghai's cultural undertakings.

It is necessary to do a good job in overall planning and to strengthen the building of the cadre ranks in the spirit of reform in order to invigorate cultural undertakings in Shanghai. To meet the requirements of Shanghai's economic development strategy, it is essential to organize forces in various quarters to study and map out a cultural development strategy for the municipality. The principles, objectives, structure, and ways for the municipality's cultural development should be designed or planned in a comprehensive way. Vigorous efforts should be made to engage in cultural exchanges with other parts of the country and with foreign countries; to inherit and develop the fine cultural traditions of the nation; to absorb advanced cultural achievements of the world; and to build socialist culture with Chinese characteristics. To promote cultural prosperity in Shanghai, it is of fundamental importance to build a contingent of cultural workers with quite high professional standards who adhere to the socialist orientation. We should attach importance to the training of qualified personnel in the arts and culture as well as to their on-the-job training and enable various outstanding people to show and use their talents so that a rational structure of qualified personnel in the cultural field will take shape step by step in Shanghai. During the Seventh 5-Year Plan, cultural undertakings in Shanghai should be properly developed and number of cultural facilities should be timely built. It is necessary to vigorously develop cultural undertakings for the masses; to pay attention to teenagers' spare-time cultural activities; to further promote reading activities among workers and staff members; and to make proper arrangements for old people's cultural activities. At the same time, efforts should be made to further develop sports and public health; to build more sports; medical, and health facilities; to extensively carry out mass sports and recreational activities and the patriotic health campaign; to continue to do a good job in family planning; and to continuously improve the health of the people.

We should continually strengthen socialist democracy and the socialist legal system to ensure and support the building of a socialist spiritual civilization. In building a socialist spiritual civilization, we should first focus our attention on bringing about a fundamental turn for the better in party style

and the standards of social conduct. We should rely on education and the law to bring about as soon as possible a fundamental turn for the better in party style and the standards of social conduct. The broad masses of people should be educated to understand the fundamental differences between socialist democracy and bourgeois democracy and to correctly exercise their democratic rights. In the next 5 years, efforts should be made to spread knowledge of the law among the people in the municipality, to enhance their understanding of the legal system, and to enable the cadres and masses to cultivate the habit of understanding and abiding by the law and acting according to it. Political, ideological, cultural, educational, administrative, and legal means should be fully used to solve problems in public order in a comprehensive way, and forces in various quarters should also be mobilized for this purpose. Extensive activities should be carried out to build civilized units in order to promote the development of socialist spiritual civilization in basic units. Developing socialist democracy and strengthening the socialist legal system should go hand in hand in order to guarantee the people's legitimate freedom and rights. At the same time, continuous efforts should be made to crack down on criminals who seriously jeopardize economic and public order and harm the interests of the people and to ban all practices that corrupt social morals so as to further improve public order and bring about a noticeable reduction in criminal cases. Then, corrupt practices will be effectively checked, and new practices characteristic of a socialist culture will prevail and develop on various fronts in Shanghai.

The building of a socialist spiritual civilization, like that of a socialist material civilization, is a long-term task that cannot be accomplished in short time. We should not relax but keep up our efforts in this regard. While persistently working for the development of material civilization, party organizations at various levels should strive to build a spiritual civilization in order to develop our work soundly along the correct socialist road.

Raise Party Building to a New Level

The historic task of bringing about a new situation in the socialist modernization of Shanghai is now before the party organizations in the municipality. We must uphold and improve party leadership and strengthen party building in order to effectively ensure the successful fulfillment of the various tasks set in the Seventh 5-Year Plan. While reforming and revitalizing Shanghai, we must strive to raise party building to a new level ideologically, organizationally, and in workstyle.

1. Resolutely correct unhealthy tendencies and bring about as soon as possible a fundamental turn for the better in party style.

Improving party style is an important condition for promoting comprehensive reforms and the building of material and spiritual civilizations. Our party has fostered a fine Marxist style in a protracted revolutionary struggle and has waged an unremitting struggle against various unhealthy tendencies, thus effectively ensuring one victory after another in both revolution and construction. In the new historical period, leading comrades of the party Central Committee have repeatedly expounded on the utmost importance and urgency of

rectifying party style. A leading comrade of the party Central Committee recently stressed that rectifying party style is the key to improving the standards of social conduct. We must realize a fundamental turn for the better party style in 5 years, and there are now only 20 months left. We must make vigorous efforts to improve party style and not relax our efforts for a single day. Things look promising if we really make efforts to achieve this goal; otherwise, there will be no hope. If we do a good job in improving party style, it will really be conducive to promoting reforms and construction. Comrade Chen Yun incisively pointed out that "the style of the ruling party is a matter concerning its survival." This is an extremely important and serious matter. Each of our party members and cadres who are party members, especially leading cadres, must ideologically pay close attention to this matter and be most firmly determined to bring about a fundamental turn for the better in the party style in the next 2 years.

To further correct party style, we must analyze the present situation of Shanghai's party style in a down-to-earth manner. Since the 12th Party Congress laid down the task of fundamentally improving party style within 5 years, Shanghai party organiztions have, under the correct leadership of the party Central Committee, strengthened work in party spirit education and discipline inspection. Shanghai party organizations have conducted party rectification in stages and batches, resulting in strengthened ideological and organizational construction of the party. The broad masses of party members and cadres have made efforts either in implementing the Marxist ideological line of seeking truth from facts and executing reforms and opening up policies or in leading a normal party life. Many duty-conscious, hardworking, and creative party members and cadres have emerged; party organizations with strong party spirit and good workstyle have also appeared. They resist unhealthy tendencies and play the role of a battle fortress. The vast majority of Shanghai party members and cadres is good or relatively good. Party organizations also have fighting strength. There are aspects of obvious improvement in party style. Municipal party discipline inspection committees at all levels have done a lot of work in correcting party style and enforcing party discipline. However, we must frankly point out that party style has not been fundamentally improved and not a few problems remain to be solved. The central authorities' analysis of problems in party style applies to the situation in Shanghai. Six aspects of serious unhealthy tendencies in party and government organs also exist in Shanghai. Bureaucratism, political liberalism, individualism, departmentalism, lack of criteria in job assignment and doing things, and loose organization and discipline are the kind of unhealthy tendencies found in varying degree among some party member cadres and leading cadres. A few party members and cadres lack the lofty ideal of lifelong struggle for communism; they have forgotten the fundamental purpose of wholeheartedly serving the people; they have even abused power to seek personal gains. In addition, there are a very few people, blinded by material gains, who seek and take bribes and engage in corrupt practices, speculation, and profiteering--acts that reach the stage of committing serious crimes. Although these corrupt phenomena can only be found among a very few people, they have an adverse influence; they seriously hurt the party's prestige, corrupt party style and social conduct, and hamper the smooth progress of reform and construction. The broad masses of party members and people deeply oppose these corrupt phenomena.

Workstyle of leading organs and leading cadres plays a big influential and exemplary role. Therefore, correcting party style and checking unhealthy tendencies should start with leading organs and leading cadres of the party and government. Not long ago, Comrade Hu Yaobang delivered an important speech at a meeting of central organ cadres and called on central organs and Beijing organs to be the nation's models in raising work efficiency, in studying, in implementing party discipline, and in strengthening party spirit through lofty spirit and outstanding workstyle. We should resolutely respond to the call of the central authorities. Starting with the municipal party committee and leading cadres at municipal-level organs of the party and government, we should emphasize party style work of leading organs and among leading cadres at the county level or above. Leading cadres should play an exemplary role and strive to do a good job in their own unit and their own department; ensure results in correcting party style at one level; that have undergone rectification units or departments should help others; and one level should bring up another level. We should "first correct our own and then try to correct others." We should carry forward the excellent tradition of the party and with better efficiency, play an exemplary role in bringing about a fundamental improvement in party style in the municipality.

We should uphold the principle of being strict and practical in correcting party style. The reason some departments and units have not achieved results in correcting party style is that for some time, some of our leading organs and cadres did not have sufficient understanding of the seriousness and dangers of unhealthy tendencies. They dared not tackle problems. In solving problems, they talked more than they acted. They let obvious criminal cases drag on, which did not help to timely stop evil trends. The municipal party committee tackled the problem of party style, but without great determination, in addition, measures were not effective enough. We should speak less empty words and do more practical work. We should start with concrete cases. We should rely on the masses and step up investigation. We should tackle difficult cases. We should show no favor, break through hindrances, and resolutely investigate big and important cases. We should step up investigation of cases involving offspring of senior cadres and senior cadres who break state laws and party discipline; the higher the rank, the more we should investigate and mete out punishment. Only by doing so, can the cadres be educated and become vigilant, and some people will be saved. Otherwise we will drift away from the masses, and the pernicious influence will hurt our people and our country. Party discipline inspection commissions at all levels and political and legal departments should dutifully handle cases, boldly exercise power, cherish righteousness, and put a stop to evil trends.

Our efforts to improve party style and correct unhealthy tendencies must be resolute and sustained. To establish good party style is a long-term task of party building, relying on constant ideological education and necessary rules and regulations. Party committees at all levels should be concerned about and support the work of the discipline inspection commissions. We should universally strengthen education in party spirit, party style, and party discipline among party members and cadres in Shanghai and organize them to seriously study the party Constitution, the "Guiding Principles for Inner-party Political Life," other relevant stipulations, and the central leading comrades'

important speeches. Party members and cadres should compare what they have studied with reality and with their own speeches and deeds to discover disparities, carry forward strong points, overcome weaknesses, and enhance awareness of the need to implement the party's line, principles, and policies and to observe party discipline and law. In the course of carrying out ideological education, we should pay attention to commending the deeds of outstanding party members, excellent cadres, and advanced collectives that have fully played an exemplary vanguard role. In order to ensure success in improving party style and correcting unhealthy tendencies, we must have strict regulations and rigorous discipline. In the course of reform, opening to the outside world, and invigorating the economy, we must strictly abide by the rules and regulations formulated by the Central Committee and the municipal party committee, ensure that all party members and cadres know what may or may not be done, and draw clear lines of demarcation in applying ideological principles and policies. Party committees at all levels should implement a system of responsibility to ensure good party style; make constant inspection and supervision; nip evil in the bud; correct shortcomings and mistakes without delay; sum up experience and lessons; and truly play an exemplary leading role.

Party organizations at all levels should treat the work of improving party style and correcting unhealthy tendencies as an important item on their daily agenda, do it firmly and meticulously, and earnestly strengthen their leadership over it. We should pay close attention to developments, seek truth from facts when analyzing problems, and have the courage to expose and sternly handle unhealthy tendencies that indeed exist in our party. At the same time, we should not regard all problems simply as problems of party style. To correct unhealthy tendencies does not mean to slacken or abandon our reform efforts. It is to remove obstacles to reform and opening to the outside world. We should do our work well in an active, conscientious, and responsible spirit and ensure smooth process of reform and construction. In the course of improving party style and correcting unhealthy tendencies, we should not launch movements, nor let everyone pass, nor exaggerate at will in criticism. We should proceed from reality and handle problems as they are. To deal with ordinary problems of cadres with CPC membership, all we have to do is to stress ideological education and help them strengthen their party spirit, raise their political awareness, and examine and correct their problems. Serious problems of a small number of cadres with CPC membership should be sternly dealt with according to the characteristics of the problem and the seriousness of the case, and in accordance with party discipline and law. We should not tolerate nor shield them. Individuals who do evil should be investigated and punished accordingly. If there is malpractice resulting from a collective party committee decision, the party committee and the leading cadres involved should be investigated to determine who is to blame. A leading cadre should be replaced or transferred to another post without delay if he has a serious problem in his workstyle and stubbornly refuses to mend his ways or he shows poor leadership over the work of correcting unhealthy tendencies. The municipal party committee believes that we can surely fundamentally improve party style in Shanghai if we seriously implement the instructions of the Central Committee, strictly carry out the party's policies, and firmly do our work well.

2. It is necessary to continue doing a good job in party rectification and strengthening the party's organizations at the grassroots level.

In accordance with the demand and plan of the Central Commission for Guiding Party Rectification, various organizations at and above district, county, and bureau level; schools of higher learning; scientific research institutes; and large backbone enterprises in Shanghai have in the main completed the party rectification work. However, the task of further strengthening party spirit is not yet complete. All units that have undergone party rectification should conscientiously make earnest self-examination to find out if they have improved the party's workstyle and the results of implementing various measures to strengthen party building in order to further consolidate and develop the achievements of party rectification.

Party rectification is being unfolded at the grassroots level in various suburban counties and municipal districts now. This is a very important phase and the most massive and extensive party rectification since 1983. It is an important link in fulfilling party rectification work in an all-round way. Only when we consolidate and build well the more than 46,000 party organizations at the grassroots level in the municipality, raise the party members' quality, and fully develop party members' vanguard role, can we truly implement the party's line, principles, and policies at the grassroots level.

All units undergoing party rectification should clearly understand the guiding ideology that party rectification is to promote and insure the reform work, stress improving party conduct, correct mistakes while carrying out party rectification, and accomplish the task of party rectification in an all-round way.

Party rectification in the rural areas should attach importance to the following four points according to the circular issued by the Central Commission for Guiding Party Rectification: It is necessary to raise party members' understanding in the fundamental goals of the party, correctly understand the party's policies of carrying out reform and promoting economic development in the rural areas, strictly handle the serious mistakes committed by a small number of party members, and firmly grasp the building of leading groups. In carrying out party rectification in the rural areas, especially at the village level, we should pay attention to conducting positive education, heightening party members' ideological consciousness, and raising the fighting capability of party organizations. The guidelines of the circular issued by the Central Commission for Guiding Party Rectification in the rural areas are also applicable to enterprises below the county level and basic level party organizations in the urban areas.

Party committees at various levels should strengthen their leadership over party rectification work at the grassroots level, understand the situation, discover all problems, sum up experiences, and give specific guidance. We should closely integrate party rectification with the work of evaluating and adjusting leading groups. We should implement the policy of "being firm and prudent, being sure not to leave out anyone, and refraining from magnifying the contradictions" and firmly grasp the work of checking the "three kinds of

people" from beginning to end. Toward those comrades who have committed mistakes, we should strictly follow the party's policy of "learning from past mistakes to avoid future ones, and curing the sickness to save the patient" in order to insure the healthy development of party rectification work.

The party's basic level organizations are fighting bastions of the party at the grassroots level of the society. In the new historical period we must further strengthen party building at the grassroots level, raise the level of the party's work, and unite and lead the masses to embark on building socialist material and spiritual civilization. We should strengthen education for and control over party members. We should educate party members and cadres to foster the lofty ideals of communism, work hard to promote the building of the four modernizations, enhance their revolutionary sense of responsibility, and develop their vanguard role. We should continue to actively bring more people into the party in a careful manner and pay special attention to admitting outstanding intellectuals and those who work on the frontline of production with good qualifications into the party. We should adhere to the principle of democratic centralism and collective leadership, strengthen party discipline, further normalize the democratic life within the party, improve the situation of a number of units and departments in which "party organization pays little attention to the work of building the party and improving party conduct," and give full play to the role of the party's basic level organizations as fighting bastions.

3. It is necessary to closely adhere to the party's principle on selecting and appointing cadres and to further strengthen the formation of leading bodies.

Making the cadres and the leading bodies revolutionized, younger, well-educated, and professional holds the key to organizationally ensuring the success of socialist modernization and construction. We must correctly understand and implement the principle that requires that cadres be revolutionized, young, educated, and professional. While requiring that cadres be revolutionized, we must also pay attention to their ability and performance in real work and must select and promote those outstanding middle-aged and young cadres whose political orientation conforms with that of the central authorities, and who are hold in reform and enterprising, to leading posts at all levels. We must continue to do a good job in readjusting the leading bodies. For those leading bodies that have undergone major readjustments, we will continue to make partial readjustments to further perfect their overall structure and enhance their management skill and working efficiency.

In selecting and assigning personnel, we must strictly abide by the stipulations prescribed by the CPC Central Committee in a circular on selecting and assigning cadres which stresses fairness and openness in selecting cadres based on their political integrity and ability, and which opposes appointing people based on favoritism. In selecting and appointing leading cadres, we must follow the prescribed procedures to maintain organizational and personnel discipline and must not violate the policy and system by putting one's trusted friends in key positions. In appointing leading cadres, we must wholly adopt the mass line, carry out thoroughgoing investigations, and allow the decisions to be made through collective discussion within the party committee. Decisions should

never be made by a single individual. We must promote and appoint step by step those outstanding comrades who have been tempered through experience. As for those cadres that have been promoted but have been clearly proved to be inept in practice, we must make prompt readjustment. We must strictly prohibit unauthorized addition or expansion of organizations, or unauthorized increases in the number of leading positions, thereby organizationally checking the unhealthy tendency in selecting and appointing cadres.

We must strengthen the management of the cadres contingent and gradually perfect the cadre training, evaluation, and supervision system. To meet the needs of modernization, we must do a good job in the task of educating and training cadres in a planned way and strengthen the continued education for newly appointed leading cadres, thereby continuously enhancing the cadres' political and ideological level as well as their professional ability. We must follow the guidelines of the personal responsibility system in carrying out periodic evaluations of a cadre's integrity, diligence, ability, and performance, and make decisions on reward, punishment, promotion, or demotion based on the results of such an evaluation. Leading cadres at all levels must participate in organizational activities in accordance with the party constitution. Party leading bodies at and above the country or regimental level must periodically participate in democratic activities and carry out criticism and self-criticism. All party members must consciously submit themselves to supervision by party organs, other party members, and the masses. No one has the right to place himself above party and mass supervision.

We must continuously do a good job in the work concerning reserve cadres and promote cooperation and facilitate succession between the new and veteran cadres. To meet future needs, we must take more effective measures to build up a reserve cadre contingent that is sufficiently large, structurally sound, and which meets the requirement that cadres be revolutionized, young, educated, and professional, thereby ensuring sufficient successors to continue the party's cause. At the same time, we must resolutely reform the cadre system step by step to reflect the principle that a cadre must be ready to accept a higher or lower post, to limit the restrictions on hiring personnel, to create a good environment in which outstanding cadres can give full play to their talents, and to provide a system that ensures a continuous supply of talented personnel of various professions and capacity.

We must do a still better job in veteran cadres work. Veteran cadres are an invaluable treasure of the party. On a volunteer basis and taking into consideration the veteran cadre's health, party organs at all levels must create necessary conditions to facilitate continuous contributions by the retired party cadres to the cause of the party and the people. Regarding those retired veteran comrades who are advanced in age and physically very weak, we must show more concern to them to ensure that they live out their old age in happiness and good health. Yougn comrades must respect veteran cadres and learn from their strenghs. Veteran cadres must continuously maintain and carry forward the fine traditions and warmly support the young cadres' work. Both new and veteran cadres should support, unite, and cooperate with each other.

4. Bring into full play the role of legislative, judicial, and administrative organs; consolidate and develop the patriotic united front.

It is necessary to bring into full play the role of people's congresses at various levels as a power organ. Party commtitees at all levels should support the work of people's congresses, governments, courts, and procuratorates, and ensure that these state power organs exercise the rights stipulated in the Constitution. Party organizations at all levels should carry out their activities within the limits prescribed by the Constitution and the laws, and every Communist Party member should strictly observe policies, laws, and regulations approved by state and local power organs, and strive to fulfill all tasks.

In the new historical period, the united front remains an important talisman of our party. We must resolutely implement the policy of "long-term coexistence and mutual supervision" and the principle of "treating each other with all sincerity and sharing weal or woe," and strengthen our unity and cooperation with all democratic parties, nonparty democrats, minority nationalities, and patriots in religious circles in order to further consolidate and develop the broadest patriotic united front embracing compatriots in Taiwan, Hong Kong, and Macao and patriotic Chinese nationsl residing abroad. It is necessary to support the work of all democratic parties, regularly hear briefings on their work, and listen to their opinions and suggestions so that they can contribute their share to the modernization drive and the motherland's reunification cause. It is necessary to lend support to the work of the Chinese People's Political Consultative Conference and make full use of its role in political consultation and democratic supervision.

5. Strengthen the party's leadership, and fully mobilize all positive factors.

It is the common undertaking of the people of the whole municipality to fulfill the Seventh 5-Year Plan, speed up Shanghai's transformation and revitalization, and make greater contributions to our country. We must further carry out the party's policies, mobilize and organize the forces in all quarters, and make the optimal use of all positive factors in jointly striving for the accomplishment of the Seventh 5-Year Plan.

It is necessary to strengthen the leadership over trade unions, CYL organizations, and women's federations. Party organizations at all levels should create the conditions for trade unions to further take part in the management of economic and social affairs, conscientiously introduce the system of congresses of workers and staff members, and step up their democratic management so that they can really become their own masters and work for the transformation and revitalization of Shanghai. The CYL is the party's loyal assistant and reserve force. Party organizations at all levels should, with a communist's breadth of vision and farsightedness, strengthen and improve their leadership over CYL organizations, show concern for the growth and progress of the youth, and teach them to regard the revitalization of the Chinese nation as their own duty and to go to the frontline of production and work to undergo hard training in order to enhance their capability and become pacesetters in reform and economic development. It is necessary to strengthen the work of women's

federations and encourage the large number of women to strive for progress and become the heroines of the 1980's. It is necessary to extensively unfold the "five-good" family activity, mobilize thousands upon thousands of families to foster new civilized practices, and bring into play the important role of women's federations in protecting and educating women and children.

It is also necessary to strengthen the party's leadership over scientific and technological associations, federations of social sciences, federations of literary and art circles, federations of returned Overseas Chinese, federations of Taiwan compatriots, and federations of industry and commerce, and fully utilize their advantages in the modernization drive.

PLA units stationed in Shanghai, the Shanghai Municipal People's Armed Police Corps, and the vast number of militiamen constitute important forces in building the two civilizations. They have made great contributions to safeguarding and building Shanghai. It is necessary to pay close attention to army building and do a good job in settling armymen transferred to civilian jobs, retired, and demobilized servicemen. We should carry forward the fine traditions of supporting the army and giving preferential treatment to families of revolutionary armymen and martyrs and of supporting the government and cherishing the people, and build closer relations between the army and the government and between armymen and civilians. It is also necessary to intensify militia building and construction of air defense. The people of the municipality should regard the strengthening of national defense and safeguarding of the motherland as their sacred duty.

The tasks of reform and construction remain arduous during the Seventh 5-Year Plan, and new situations and problems will continue to crop up. Party organizations and cadres at all levels should adapt themselves to the demands of the new situation and further improve their leadership method and workstyle. When the development of a situation becomes complicated, we should discuss major issues, understand the overall situation, and properly handle our work in order to skillfully and creatively implement the party's principles and policies in light of the actual situation in each department. It is necessary to advocate systematic and thorough investigation and study, do a good job in formulating macroeconomic policy decisions and microeconomic guidance, and map out scientific policy decisions so that our leadership quality and work efficiency can be further improved.

Comrades, the current domestic political and economic situation is excellent, and the international environment has also provided us favorable conditions for accelerating the modernization drive. Shanghai enjoys exceptional advantages in its geographical location, relatively solid industrial foundations, capabilities to digest and absorb advanced foreign technology, extensive ties with foreign countries, and rich intellectual resources. Under the correct leadership of the party Central Committee and with vigorous support of the people across the country, we will surely be able to overcome difficulties and successfully complete all tasks of the Seventh 5-Year Plan as long as we steadfastly implement the line, principles, and policies formulated by the party Central Committee since the 3d Plenary Session of its 11th Central Committee and make the best use of Shanghai's advantages.

Over 800,000 party members and 12 million people of all nationalities in the municipality must closely unite as one, display the perseverance of the Foolish Old Man, pool the wisdom and efforts of all, and work hard and efficiently in striving to gradually build Shanghai into an open, multifunctional, and highly civilized modern socialist city with rational industrial structure and advanced science and technology, thereby making greater contributions to the nationwide modernization drive.

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BEIJING COMMUNIQUE ON 1985 ECONOMIC, SOCIAL DEVELOPMENT

SK210035 Beijing BEIJING RIBAO in Chinese 10 Mar 86 p 2

["Statistical communique" on Beijing Municipality's 1985 national economic and social development issued by the Beijing Municipal Statistical Bureau--date not given]

[Text] In 1985 the people throughout the municipality, under the leadership of the Beijing Municipal CPC Committee and Government, strived to reform the economic structure and open to the outside world successfully, continued to implement the four instructions of the Secretariat of the CPC Central Committee on the policies concerning the construction of the capital, carried out the guidelines of the written reply of the CPC Central Committee and the State Council to the "Program of the Overall Planning for Beijing's Urban Construction," enabled the national economy to develop in a sustained, stable, and coordinated manner, achieved great results in both the socialist spiritual and material civilizations, and successfully fulfilled the 1985 plans. Major targets for the national economic and social development as set forth in the Sixth 5-Year Plan were overfulfilled, with many of them being prefulfilled in 1984. According to initial statistics, total social product of the year was 45.5 billion yuan, up 10.5 percent from the previous year; total industrial and agricultural output value 34.8 billion yuan, up 11.4 percent; national income 18.1 billion yuan, up 10.4 percent; and the gross value of domestic production 24.6 billion yuan, up 12 percent. Markets were brisk, and the income of urban and rural residents increased on the basis of continued development of production.

1. Agriculture and the Rural Economy

The suburban areas conscientiously carried out the second step of the rural reform, readjusted the rural production setup while not slackening grain production, developed the rural cooperative economy, and gradually moved to the track of undertaking farming, forestry, animal husbandry, fisheries and sideline production and developing industry, commerce, building trade, transportation, and service trade in an all-round manner. Fourteen suburban counties doubled their gross industrial and agricultural output value in 5 years. Total rural product of the year was 8.38 billion yuan, an increase of 26.7 percent over the previous year. The proportion of nonagricultural production, including rural industry, building trade, commerce, and transportation, rose

from 66.5 percent of the previous year to 69.6 percent. The total agricultural output value was 4.07 billion yuan, up 19.7 percent from the previous year. Deducting the output value created by the industrial enterprises run by villages (brigades), it was 1.98 billion yuan, an increase of 7.1 percent. In the total output value of agriculture, that of animal husbandry and fisheries showed a slight increase, from 33.4 percent in the previous year to 33.9 percent.

Despite the decrease in grain growing areas by 12,000 hectares, grain output again reached an all-time high, totaling 2.197 million tons, 23,000 tons more than in the previous year.

The output of nonstaple foods, including fresh eggs, milk, and fresh-water fishes, showed a substantial increase over the previous year. Vegetable output declined from the previous year.

Output of major nonstaple foods is listed as follows:

	1985 actual output	1985 versus 1984 percentage
fresh eggs	141,000 tons	115.3
milk	135,000 tons	107.2
aquatic products (including fish, shrimp)	16,000 tons	158.0
pork, beef, mutton	135,000 tons	101.3
vegetables	2.04 million tons	93.6
watermelons	253,000 tons	127.2

In the whole year 29,700 hectares of areas were afforested, and 19.99 million trees were planted along roads and rivers, and around houses and villages. Both afforestation and tree planting plans were overfulfilled, and new progress was achieved in the 13 key afforested areas attended to by the municipality, and districts and counties.

Township enterprises continued to develop by a fairly large margin. The number of the enterprises reached 16,000 by the year end, and their employees 750,000. Their annual gross income was 5.1 billion yuan, and profits 950 million yuan, increasing by 36 and 33 percent, respectively, over the previous year.

In the rural commodity production, monopolized purchase and guaranteed marketing which had been carried out for many years were changed into market regulations under plan guidance. Peasants entered the circulation channels, and promoted the reform of the circulation system. By the end of the year rural production units had established direct production-marketing links with more than 1,800 urban consumption units and retail outlets, providing them with nonstaple foods worth 230 million yuan. Eight vegetable wholesale markets and 59 vegetable distribution centers were established on the outskirts. Transactions of urban and rural fairs totaled 340 million yuan, 1.3 times over the previous year.

The number of farm machines and the consumption of electricity scored a greater increase. By the end of 1985, the capability of farm machines in the municipality reached 4.353 horse power, a 10 percent increase over the 1984 figure. The number of large and medium-sized tractors reached 11,000 a 4.2 percent increase over the 1984 figure; that of small and hand-supporting tractors reached 35,000, a 26.3 percent increase over the 1984 figure; and that of freight trucks reached 10,000, a 33 percent increase over the 1984 figure. The capability of machines installed on the irrigation systems reached 950,000 horse power, equivalent to the 1984 figure. The power consumption in rural areas reached 1.27 billion KWH, a [word indistinct] increase over the 1984 figure.

2. Industry

While conducting reforms in various fields on the basis of enlivening themselves, the industrial enterprises scored a steady increase in production, achieved harmonious development between light and heavy industries, and made marked improvement in economic results.

In 1985 the municipality realized 30.73 billion yuan in total industrial output value, a 10.4 percent increase over the 1984 figure, surpassing the 30-billion-yuan and 8-percent increase target fixed at the beginning of 1985. The village-run (or production team-run) industrial setups realized 32.82 billion yuan of output value, a 10.6 percent increase over the 1984 figure. Of this output value, those of local industrial setups reached 24.57 billion yuan, an 11.5 percent increase over the 1984 figure; those of light industrial setups, 13.4 billion yuan, an 8 percent increase over the 1984 figure; and those of heavy industrial setups, 17.33 billion yuan, a 12 percent increase over the 1984 figure. Of the output of 25 products covered by the mandatory plan, 21 products overfulfilled their plans. Of the output of 75 products covered by the plan guidance, 46 products scored an increase over the 1984 figure.

	1985 actual output	1985 versus 1984 percentage
cloth	256,060 meters	93.9
woolen piece goods	14.039 million meters	99.0
knitting wool	8,838 tons	108.7
television sets	748,000	126.6
of which		
color sets	382,000	350
household electric fans	115,000	120.8
household refrigerators	161,000	156.7
marketable furnitures	2.923 million	107.2
beer	134,000 tons	104.7
raw coal	8,899 million tons	100.6
electricity	10.33 billion KWH	99.4
processed crude oil	5.895 million tons	100
steel	2.684 million tons	110.8
rolled steel	2.213 million tons	110.6
LPG	177,000 tons	113.2
plastics	343,000 tons	103.2
synthetic rubber	486,290 tons	101.9
motor vehicles	49,402	137.6
hand-supported tractors	12,500	104.2
cement	2.898 tons	101.8

The municipality scored new achievements in creating fine-quality products among daily products consumed by the masses, showed an increase in the number of fine-quality and famous-trademark products, and brought a change to the low trend of product quality, which began at the beginning of 1985. In 1985, 45 products won the national fine-quality prize, 111 products were appraised as fine quality products by the ministrial authorities, and 354 products were appriased as fine quality products by the municipal authorities.

Economic results scored market improvement. The industrial enterprises covered by the local budget showed a 9.4 percent increase in total output value, a 16 percent increase in incomes earned from sales, and a 16.9 percent increase in profits and taxes. They achieved a simultaneous increase in both production speed and economic returns. The period of capital turnover reached 103 days which was, 6.6-percent faster than that of 1984. The rate of profits and taxes in every 100-yuan capital reached 41.7 percent, a 3.6 percent increase over the 1984 figure. The 16 municipal-level industrial general companies (bureaus) comprehensively saw their energy consumption declining by 4.9 tons of standard fuel, a 7.7 percent decrease over the 1984 figure. They comprehensively saved 217 tons of water in every 10,000-yuan output value, a 15.2 percent decrease over the 1984 figure.

3. Investment in Fixed Assets and Building Trade

The total investment in fixed assets came to 7.78 billion yuan in 1985, an increase of 49 percent over the previous year. Due to the application of the measures for controlling the scale of capital construction in the latter half of 1985, the investment in fixed assets in this period showed an increase of only 45.5 percent over the same period of last year, which was lower than the 64.4 percent increase in the first 6 months of 1985. Of the total investment in fixed assets in 1985, the investment in capital construction was 5.42 billion yuan, an increase of 50.1 percent over 1984; and the investment in technological items was 2.36 billion yuan, an increase of 46.6 percent. Of the investment in capital construction, the investment in local projects was 2.19 billion yuan an increase of 46 percent over the previous year.

The investment in urban infrastructural facilities, industry, commerce, and trade increased by a big margin. The investment in different major trades was as follows:

	1985 actual figure	1985 versus 1984 percentage
urban infrastructural facilities	1.1 billion yuan	154.2
industry	2.79 billion yuan	153.8
railway and civil aviation	110 million yuan	110.9
agriculture and forestry, water conservancy, and meteorology	160 million yuan	113.9

A total of 657 capital construction projects were completed and went into operation in the year, accounting for 30.1 percent of the total construction projects. Of the 74 large and medium-sized constructions projects and key

state projects which started construction in 1985, 22 projects whose construction pace was to be checked as planned had reached the planned construction pace.

Housing projects covering 28.03 million square meters of floor space were under construction in the year, an increase of 19.1 percent over the previous year. A total of 8.92 million square meters of housing projects were completed, an increase of 8.9 percent. Of this, housing residences accounted for 4.756 million square meters of floor space, 556,000 square meters of floor space over the previous year.

4. Urban Construction and Urban Management

The pace of the construction of the urban infrastructural facilities was quickened. The outlook of the capital continuously improved. The total investment in urban infrastructural facilities reached 1.1 billion yuan in the whole year.

A group of key projects were completed and went into operation in succession. The construction of Anzhen, Madian, and Xueyuanlu overpasses on Xibeisanhuan Road were completed ahead of schedule. The Taincunshan water supply plant with a daily supply capacity of 170,000 tons of water formally went into operation on 23 June. The project for diverting natural gas from the Huabei Oilfield to Beijing with a daily capacity of 400,000 cubic meters was basically complete and went into operation. The first-stage project of the Xuojiazhuang heating supply plant began to supply heat by feeding into a power grid.

Further progress was made in public utility projects. The volume of the sales of tap water was 460 million tons, an increase of 4.5 percent over the previous year. Of this, water consumption in the people's daily lives was 280 million tons, an increase of 7.7 percent. The municipality's electricity consumption for administrative and daily use in 1985 was 2.22 billion KWH, an increase of 20.3 percent. The number of households that used coal gas through pipelines increased to 60,000. By the end of 1985, the number of households that used coal gas and LPG gas through pipelines reached 1.022 million, an increase of 5.5 percent over the previous year. The number of streetcars and buses (including subway trains) reached 4,640 by the end of 1985, an increase of 410 over the previous year. The volume of passenger transportation reached 3.37 billion persons, an increase of 4 percent over the previous year. Faster progress was made in taxis. By the end of 1985, the municipality had 12,000 taxis, an increase of 130 percent over 1984. The total length of roads in the urban areas of the municipality reached 2,979 km, an increase of 51 km over the previous year.

Certain progress was made in beautifying the urban areas and making the urban areas green. A total of 1.308 million square meters of lawns were grown in the whole year, an increase of 58,000 square meters over the previous year. A total of 1.41 million trees were planted in the whole year. The Daguanyuan Park, a key project was partially completed and opened to the public.

New progress was made in environmental improvement. Comprehensive environmental improvements were made in six scenic spots, including Shizhahai Park. Such two low-noise areas as Changqiao and Longtan were built. Residences with central heating system covering an area of 2.38 million square meters were developed. Thus, 260 boilers and 8,057 small coal stoves were left usused. Air pollution was alleviated. Devices for indicating air pollution and noise were installed at Qianmeng, art galleries, and Sidaokou. A total of 111 factories and workshops that caused air and noise pollution were forced to improve their environmental conditions, to move to other places, and to change or convert their production.

5. Transportation, Post and Telecommunications

The municipality fulfilled its tasks to a better extent in communications and transportation undertakings and scored very fast development in such undertakings.

The volume of passengers transported on railways was 53.9 million persons, a 5 percent increase over the 1984 figure. The volume of freight transported on railways was 43.976 million tons, equal to the 1984 figure. The per-day capability of freight locomotives reached 862,000 ton-kilometers, a 5 percent increase over the 1984 figure.

The volume of passengers transported on highways was 29.86 million persons, a 9.2 percent increase over the 1984 figure. The volume of highway passenger transportation was 1.09 billion person-kilometers, a 4.4 percent decrease over the 1984 figure. The volume of freight transported on highways was 46.61 million tons, a 2.1 percent decrease over the 1984 figure. The volume of highway freight transportation was 1 billion ton-kilometers, a 4.1 percent increase over the 1984 figure.

The volume of passengers and freight transported by civil aviation planes scored a large increase. The volume of passengers transported by planes was 1.471 million persons, a 34.8 percent increase over the 1984 figure. The volume of freight transported by plane was 49,000 tons, a 52 percent increase over the 1984 figure.

The municipality achieved greater development in post and telecommunications business reached 220 million yuan, a 20.5 percent increase over the 1984 figure. The post offices delivered 260 million letters and parcels, a 20.3 percent increase over the 1984 figure. The municipality handled 7.948 million telegrams, a 29.4 percent increase over the 1984 figure, and issued 13.118 million bills for long-distance calls, a 25.3 percent increase over the 1984 figure. The telecommunication undertakings developed very rapidly, and the municipality newly built or expanded 21 telephone bureaus, newly set up telephone exchange boards accommodating 45,000 lines, and expanded the number of households with telephones to 135,000, a 12,000-household increase over the 1984 figure.

6. Commerce

Markets in both the urban and rural areas were prosperous and enjoyed brisk sales. The gross retail sales of social commodities reached 12.79 billion yuan, a 25.7 percent increase over the 1984 figure.

Of the gross retail sales, consumer goods sold to residents showed a 28.2 percent increase over the 1984 figure; those sold to the institutions showed a 17.1 percent increase over the 1984 figure; and those sold as means of agricultural production showed a 3.2 percent decrease over the 1984 figure. The work to bring the increase of institutional purchasing under control scored marked achievements. The municipality has slowed the increase in this regard quarter after quarter. The increase of the fourth quarter showed a 3.3 percent decrease over the figure for the corresponding 1984 period. Of the retail sales of consumer goods, those of foodstuffs reached 4.44 billion yuan, a 19.4 percent increase over the 1984 figure: those of clothes and garments, 2.14 billion yuan, a 19.1 percent increase over the 1984 figure; and those of daily necessities, 5.03 billion yuan, a 36 percent increase over the 1984 figure. The proportion of daily necessities in the retail sales of consumer goods increased from 39.2 percent in 1984 to 42.3 percent in 1985.

Under the impetus of the drive to conduct reforms in economic systems, the commercial departments actively opened new channels of importing goods and showed a marked increase in commodity sources. Their total purchase value in 1985 reached 18.6 billion yuan, an 18.9 percent increase over the 1984 figure. Of this purchase value, those of purchases from outside places showed a 25.5 percent increase over the 1984 figure and those from the municipality, an 8.8 percent increase over the 1984 figure. The proportion of purchases from outside places in the total purchase value increased from 40.5 percent in 1984 to 42.7 percent in 1985.

The construction of commercial and service networks and centers achieved very fast development. The municipality newly established 24,000 commercial and service networks and centers, 10,000 centers more and 140 percent increase over the figure set at the beginning of 1985. Of these networks and centers, those run by collectives reached 5,289 and those run by individuals reached 12,000 households. The municipality newly built 375 farm produce markets (including small-stall districts).

7. Foreign Trade, Economic Relations, and Tourism

The gross value of exports reached $620 million, overfulfilling the annual plan by 5 percent and showing a $10,000 increase over the 1984 figure.

The municipality signed contracts with foreign firms with regard to 400 items of utilizing foreign funds and introducing outside technology, which were worth $1.2 billion, a more than 100 percent increase over the 1984 figure. Of these contracts, those for introducing advanced technology reached 325 items worth $320 million, a 9.6 percent increase over the 1984 figure.

Tourism undertakings achieved very fast development. By the end of 1985, the municipality built 63 tourist hotels with 16,000 bedrooms and 32,000 beds, a 5,000-bed increase over the 1984 figure. In 1985 the municipality received 937,000 tourists, a 42.5 percent increase over the 1984 figure. The incomes earned from tourism reached 940 million yuan, a 75.7 percent increase over the 1984 figure.

8. Science, Education, and Culture

Initial results were achieved in the reform of scientific and technological system, many scientific and technical achievements were scored, and remarkable benefits were gained from these achievements. Scientific research departments at all levels throughout the municipality scored 2,400 scientific research results, of which, 1,800--75 percent--were popularized and applied to production. Of these 1,800 results, 65 were achieved by the municipal-level scientific research institutes, of which, 56 were applied to production, accounting for 86 percent of the total. Some 70 scientific and technical research results won prizes from the state for invention and scientific and technical progress. All the 80 independently run scientific research institutes subordinate to the municipality carried out the reform, which mobilized the initiative of their scientific and technical personnel. Compared to the previous year, scientific and technical achievements increased by 18 percent, the transfer of scientific and technical findings increased by 55 percent, and the income from technological services increased by 330 percent. A total of 3,200 scientific research finding achieved by 245 scientific research institutes in the municipality participated in trade fairs, and the business volume from the dealings of these results ranked second among various provinces, municipalities, and departments throughout the country.

At the end of 1985, the province had 62 higher learning institutions, 4 more than the previous year (including the integrated university composed of the 9 university branches). These higher learning institutions had a total student enrollment of 120,000, a 31.2-percent increase over the previous year. There were 6 university branches in the province, which had a total student enrollment of 2,870. Higher learning institutions and scientific research institutes throughout the municipality enrolled 8,300 post-graduates, a 78.6-percent increase over the previous year. At the end of 1985 there were 116 secondary specialized schools, 3 more than in 1984. There were 39,000 students in these schools, a 24.2-percent increase over the previous year. These were 158 skilled worker schools, which had a total of 18,000 students, a 10.6-percent increase over the previous year. Results were achieved in restructuring of secondary education. The number of students studying in vocational (agricultural) middle schools, and in those regular middle schools which offered vocational (agricultural) classes came to 40,000, a 55.7-percent increase over the previous year, and was a record year. The ratio between the enrollment of regular senior middle schools and that of secondary specialized schools, skilled worker schools and vocational (agricultural) middle schools increased from 1 to 0.7 in 1984 to 1 to 1.3 in 1985. There were 542,000 students studying in regular middle schools, 22,000 more than in 1984. Primary school education was popularized. There were 734,000 pupils in primary schools, 30,000 fewer than in 1984. Sparetime higher learning institutions (including TV courses,

evening schools and colleges for workers and staff members) enrolled 104,000 students in 1985, a 48.6-percent increase over 1984. Adult secondary specialized schools and TV secondary specialized schools had a total of 60,000 students, a 36.4-percent increase over 1984.

There were 5,011 kindergartens and child-care centers in the municipality. A total of 286,000 children attended kindergartens, and 90,000 babies were cared for by child-care centers, 376,000 in total, 15,000 more than in 1984. The number of child-care centers run by families developed to 12,000, which took care of 22,000 babies.

9. Public Health and Sports

Medical and sanitary conditions for the people of the municipality have been improved continually. At the end of 1985 there were 4,248 medical and public health organs. There were 376 urban and rural hospitals, equal to that in 1984; and 3,659 clinics, 123 more than in 1984. There were 38,000 hospital beds throughout the municipality, 4,000 more than in 1984. Professional health workers numbered 91,000, 1,500 more than that at the beginning of 1985. The total included 3,700 physicians in traditional Chinese medicine and 26,500 physicians trained in Western medicine.

In 1985 the municipality's athletes won 96 gold medals, 79 silver medals and 91 bronze medals at international and domestic sports events. Mass sports activities were launched vigorously. Some 1 million people in the municipality participated in long-distance races, and 500,000 people practiced taidiquan.

10. Living Standards

Wage reform was initiated smoothly, government organs and institutions set structural ratios for wages, and enterprises carried out wage reform. Some 3.33 million workers and staff members throughout the municipality had their wages increased. Living standards of the people were improved further. At the end of 1985, there were 3,823 workers and staff members throughout the municipality, 69,000 more than that at the beginning of 1985. The annual wages of workers and staff members in 1985 totaled 5.07 billion yuan, a 25.7-percent increase over the previous year. Of this, bonuses (including wages paid for above-quota piece work) came to 1.19 billion yuan, a 36.8-percent increase over the previous year. The average annual cash wage for workers and staff members was 1,343 yuan. The actual increase in workers' wages stood at 11.4 percent when the cost of living increase was factored in. According to a survey on 1,000 urban households, the average annual per-capita net cash income of the urban households was 1,000 yuan, 241 yuan more than that of 1984. The per-capita living expenses of the households of workers and staff was 923 yuan, 275 yuan more than that of 1984. The number of family members (not including those retired) economically supported by each employee dropped from 1.59 persons in 1984 to 1.53 persons. Every 100 households had 112.9 television sets, 18.4 television sets more than that of 1984; 71.2 tape recorders, 19.7 tape recorders more than that of 1984; 57.5 washing machines, 15.2 washing machines more than that of 1984; and 41.9 refrigerators, 26.6 refrigerators more than that of 1984. Continuous improvements were made in

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Medical and sanitary conditions for the people of the municipality have been improved continually. At the end of 1985 there were 4,248 medical and public health organs. There were 376 urban and rural hospitals, equal to that in 1984; and 3,659 clinics, 123 more than in 1984. There were 38,000 hospital beds throughout the municipality, 4,000 more than in 1984. Professional health workers numbered 91,000, 1,500 more than that at the beginning of 1985. The total included 3,700 physicians in traditional Chinese medicine and 26,500 physicians trained in Western medicine.

In 1985 the municipality's athletes won 96 gold medals, 79 silver medals and 91 bronze medals at international and domestic sports events. Mass sports activities were launched vigorously. Some 1 million people in the municipality participated in long-distance races, and 500,000 people practiced taidiquan.

10. Living Standards

Wage reform was initiated smoothly, government organs and institutions set structural ratios for wages, and enterprises carried out wage reform. Some 3.33 million workers and staff members throughout the municipality had their wages increased. Living standards of the people were improved further. At the end of 1985, there were 3,823 workers and staff members throughout the municipality, 69,000 more than that at the beginning of 1985. The annual wages of workers and staff members in 1985 totaled 5.07 billion yuan, a 25.7-percent increase over the previous year. Of this, bonuses (including wages paid for above-quota piece work) came to 1.19 billion yuan, a 36.8-percent increase over the previous year. The average annual cash wage for workers and staff members was 1,343 yuan. The actual increase in workers' wages stood at 11.4 percent when the cost of living increase was factored in. According to a survey on 1,000 urban households, the average annual per-capita net cash income of the urban households was 1,000 yuan, 241 yuan more than that of 1984. The per-capita living expenses of the households of workers and staff was 923 yuan, 275 yuan more than that of 1984. The number of family members (not including those retired) economically supported by each employee dropped from 1.59 persons in 1984 to 1.53 persons. Every 100 households had 112.9 television sets, 18.4 television sets more than that of 1984; 71.2 tape recorders, 19.7 tape recorders more than that of 1984; 57.5 washing machines, 15.2 washing machines more than that of 1984; and 41.9 refrigerators, 26.6 refrigerators more than that of 1984. Continuous improvements were made in

the urban residential construction. The per capita living space of the urban residents was 6.18 square meters of floor space, an increase of 0.26 square meters of floor space.

The income of the peasants continued to increase. According to a survey of rural households, the average annual net income of the rural households was 770 yuan, an increase of 106 yuan over 1984. Of this, the net income from production was 686 yuan, an increase of 85 yuan. The per capita living expenses was 509 yuan, an increase of 74 yuan over 1984. Every 100 rural households had 60 television sets, 3 television sets more than that of 1984; 19 tape recorders, 5 tape recorders more than that of 1984; 23 washing machines, 9 washing machines more than that of 1984; and 31 electric fans, 3 electric fans more than that of 1984.

The suburbs, village, and town construction plans were basically fulfilled. The municipality, districts, counties, and townships decided to carry out the construction plans on a trial basis among 236 villages and towns. So far, 2,238 residential buildings for the peasants and 205 public buildings, covering an area of 367,000 square meters of floor space, have been completed in the suburban areas. The per capita living space of the peasants was 16.24 square meters of floor space, an increase of 2.6 square meters of floor space thanks to the increase in the construction of houses in the rural areas.

Along with the increase of the income of the urban and rural people, bank deposits increased by a large margin. The urban and rural bank deposits came to 5.17 billion yuan at the end of 1985, an increase of 1.3 billion yuan over 1984, setting a record. Bank deposits of the urban people reached 4.22 billion yuan at the end of 1985, an increase of 1.02 billion yuan over the beginning of 1985. Bank deposits of the rural people was 950 million yuan, an increase of 280 million yuan.

11. Public Security

Notable improvement was made in public order through seriously dealing blows to the criminal activities and strengthening the work of comprehensively tackling problems in the public security field. The public security situation is basically on the trend of stabilization.

There were 7,994 traffic accidents in 1985, a drop of 6.8 percent from 1984. The number of people who died from traffic accidents reached 759 persons, 211 persons more than that of last year, showing an increase of 38.5 percent. There were 674 fire accidents in 1985, a drop of 2.6 percent from 1984. A total of 42 people died from fire accidents, a drop of 4 persons from 1984.

12. Population

According to statistics released by the residence registration department, the permanent population at the end of 1985 was 9.579 million, 127,000 persons more than the beginning of 1985. According to a sample survey on population change, the birth rate was 15.45 per thousand, a drop of 1.29 per thousand from 1984; the mortality rate was 5.75 per thousand, a rise of 0.22 per thousand over 1984; and the natural growth rate was 9.7 per thousand, a drop of 1.51 per thousand.

Although the social and economic situation of the municipality was very good in 1985, there were still many problems and difficulties ahead of us. The construction of the urban infrastructural facilities still could not catch up with the demands of the urban construction. The municipality still lagged behind in the development of the tertiary industry. It also failed to basically solve the "several difficulties" in the people's livelihood. The investment in fixed assets was excessively expanded. The capital construction front was overextended. Raw materials and energy resources were still in short supply. Thus, from now on, we should study ways for gradually solving these difficulties.

Note: 1) The total social product is the sum of the total output value of agriculture, industry, the building trade, transportation, post and telecommunications, and commerce. National income is the sum of the net output value of the abovementioned material-producing departments. The total value of domestic production is the value of final products and labor services provided to society by the material production and nonproduction departments of local administrative areas, excluding the value of products and labor services consumed in the course of production.

2) The figures of the total social product, national income, and the total value of domestic production in this communique were calculated in terms of 1985 prices, and the total industrial and agricultural output value was calculated in 1980 constant prices.

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CSO: 4006/855

AGGREGATE ECONOMIC DATA

XINJIANG RADIO URGES REDUCED INDUSTRIAL INPUT CONSUMPTION

HK230257 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 22 Mar 86

[Station reporter's commentary: "Achieve Economic Results Through Reducing Material Input Consumption"]

[Excerpts] Over 50 percent of the material input consumption indices in Xinjiang's industrial enterprises showed increases last year compared with 1984. This had a serious impact on the enterprises' economic results. Hence, reducing material consumption and improving economic results is one of the main goals for our enterprises this year.

Material consumption includes raw material, fuel, and electric power. It is the main factor in forming production costs, generally accounting for about 80 percent of these costs. It is evident that material consumption plays a decisive role in an enterprise's economic results. However, for a long time many of our enterprises have been unable to understand this. They just focus their vision on output value and volume and neglect material consumption.

To solve the problem of high material consumption, we must first correct the guiding idea. The leaders must switch their main effort from output value and volume to reduction of material consumption and improvement of quality. Reducing material consumption must be regarded as a major content of enterprise management.

Another important reason for high material input consumption in Xinjiang's enterprises is that in the majority of the enterprises the equipment is old and the technology backward. Hence, there can be no major drop in material consumption unless we improve old equipment, discard backward technology, and take steps to tame coal-eating, oil-eating, and power-eating tigers. We must also improve equipment maintenance and management and promote the comprehensive use of materials.

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ARTICLE INVESTIGATES MINING INDUSTRY IN NORTHERN TANGSHAN

Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 11-14

[Article by Dong Yizheng [5516 6318 2973]: "We Must Liberalize and Control Well the Mining Industry Operated by the Masses--an Investigation of the Mining Industry Operated by the Masses in the Mountain Areas in Northern Tangshan"--edited by Liu Qichang [0491 0366 2490]]

[Text] A Path to Benefitting the State and Enriching the People

Mining activities of the masses in the mountan areas in northern Tangshan began rapidly after Comrade Yaobang's visit to the area in August last year. At that time, Comrade Yaobang brought guidance thinking of the "simultaneous emergence of the eight industries and trades" which include the mining industry. He clearly pointed out: "The masses should be allowed to freely develop all kinds of small mines." Comrade Yaobang's talk greatly promoted enthusiams for mining on the part of the masses in mountain areas. Prior to this, of the three counties of Zunhua, Qianan and Qianxi, only Zunhua had a small ore dressing plant with an annual production capacity of 20,000 tons of iron concentrate powder and several relevant mining spots. But during the short period of only 1 year from August last year to August this year, over 200 mining spots operated by the masses have been established and 27 small ore dressing plants with an annual dressing capacity each of 50,000 to 200,000 tons put into operation, and before the end of the year, 13 more ore dressing plants are anticipated to go on line. It is estimated that by the end of this year there will be a gross ore dressing capacity of 3.24 million tons and a production capacity of 1.25 million tons of iron concentrate powder. This year, the production capacity of iron concentrate powder will be 300,000 tons; next year, it will be increased to 0.8-1.0 million tons. The grade of content of the concentrate will generally be 65 percent and above. The construction of these small dressing plants cost 52 million yuan altogether. Although their equipment still needs to be improved, it may be said they have the necessary conditions for production. This speed of development and this kind of benefits obtained cannot be matched by any large or medium-sized mine.

Development of mines operated by the masses has given new vitality to the iron and steel industry. This is especially obvious in the Tangshan region. Although the eastern Hebei region has plentiful mining resources, the development of large mines requires larger investments and the construction period is also

rather long. As a result, it had been hoped that the ore for the 1,200 cubic meter blast furnace now under construction at the Tangshan Steel Plant would be supplied locally, but the realization of this hope had always been in doubt. Now the development of mining by the masses is expected to fill the gap of some 480,000 tons of concentrate needed. Moreover, preparations should be made. The blast furnace was originally scheduled to go into production in 1988. Now supplies from the mining acitivties of the masses will be on hand next year. Thus, a new situation where operation of the mines is forcing the early completion of the blast furnace has evolved. The nearby Xuanhua Steel Plant early in the year had still planned for the importation of some 200,000 tons of iron ore. Following the development of the mining operations of the masses, the plant no longer requires the importation of ore.

Mining activities of the masses have linked superiority in resources with superiority in local labor, converted potential resources into real economic strength, led local economic development and discovered a road to enrichment of the people in mountain areas. It is true that only a year has elapsed since the masses began mining activities in these areas, but startling changes have already occurred. Certain backward places have begun to throw off their state of poverty, places which already had a fairly comfortable standard of living have bettered their living conditions, while relatively wealthy villages are seeing increasingly prosperous days. Take for example Huazhuang village of Xiaguanying township of Qianan county. Here, iron ore is mostly found on the earth surface, not buried deep in the ground. In the past, peasants used the ore stones to build walls and houses and hardly put them to other use, resulting in the irony of sitting on a treasure chest while living in poverty, and the village became famous as "poor Huazhuang village." Last year, per capita income in the village was less than 200 yuan, and, among the 400 plus village households, there were only three or four television sets. But now, that small ore dressing plants have been established and with nearly 50 percent of the households taking part in mining ore, dressing ore, or transporting ore, the general standard of living has markedly improved. It is estimated that this year per capita income in the village will double that of last year. At present, many new houses have been built, more flour and rice are consumed, and more households own television sets. Formerly, in Daliuzhuang township of Zunhua county, of its 23 villages only three had organized a small number of households to take part in mining work and procure ore for the only small ore dressing plant in the county. But now, 19 have set up small ore mining fields. Indeed, the rise of one industry has spearheaded the rise of a hundred other industries. Mining development has directly led to the greater development of transport, the construction business and agriculture, forestry, animal husbandry and subsidiary trades. Despite the transfer of a sizable portion of labor to mining, the per unit area yield of grain of 740 jin last year is anticipated to go up to 900 jin this year because of increased investment in agriculture; delivery of pigs to the upper levels is also expected to increase from 3,763 head last year to about 5,000 head; and the increase in the delivery of dairy and meat cattle is expected to be from 130 head to 382 head. In addition, the villages have spent 260,000 yuan on planting 267,000 hawthorn trees and 17,400 improved variety apple trees. The home village sand towns have also build flour mills and animal-feed plants and increased their expenses on education.

Correct Policies and Valuable Experiences

Objectively speaking, the ability of mass mining activities in the Tangshan region to develop in such a healthy and rapid manner may be ascribed to the region's richly-endowed natural resources: large ore deposits which are buried not too deep in the ground and comprise mostly of easily mined magnetite; the state's readjustment of the price of ore concentrate of powder enabling the masses to find a lucrative trade in mining; and very strong support given by banks at various levels in the form of loans: as of last year, of the investment of 52 million yuan roughly 60 percent consisted of bank loans. But what is more important is the genuine efforts made by villages to carry out the central government's guideline calling for "extensive development of large mines, scattered development for small mines, and missing no opportunities."

First of all, in ideology a new understanding has been gained and in action a new breakthrough has been made. The iron mines in the mountain areas in northern part of Tangshan have good conditions in resources. Qianan County is well-known as "Iron Qianan." Back in 1958, the peasants did go to the mountains to do mining work, but due to faulty guidelines and faulty methods, they suffered heavy losses and reaped scarce results. This time, following the central government's advocation of "scattered development of small mines," and particularly after the visit made by Comrade Yaobang, the Tangshan Municipality CPC Committee, on the basis of thorough investigation and research, has advocated the guideline of "opening on three fronts (namely, the mountain areas, coastal areas and the central areas), simultaneously developing the eight industries and trades, suiting measures to local conditions and making major breakthroughs." It selected mining development as the breakthrough point to attain affluence on the mountain area front. Once ideology has left the conventions of pure agricultural economy, vast changes have been made in actions. Against the doubts of certain rural cadres and people who fear changes in the state policies and not dare to go into mining; fear that mining requires large investments but produce slow results and involves huge risks and hence are not willing to go into mining; and are afraid of the complex nature of mining techniques and the high technology required and feel unable to go into mining due to the lack of the needed technology, the committee has attempted to remove such fears by resorting to propaganda and education on the one hand and citing exemplary cases in illustration on the other. In Pailoukou village of Santunyin township, Qianxi county, the terrain is hilly, there is little flat land and the quality of the soil is poor. In 1983, the per capita income of its residents was only 200 yuan. In 1984, the township dispatched people outside three times to study mining experiences. It simply and thriftily established the county's first ore dressing plant with an annual ore dressing capacity of 50,000 tons. By means of local subscriptions and state loans, a sum of 170,000 yuan was spent on the undertaking and in only 2 months' time the whole investment was recovered. Emphasizing this as an exemplary model, the county organized relevant rural cadres and populace to make an on-the-spot survey and thus managed to remove their doubts and fears. Formerly, nobody cared about developing the mines in this county, but now a production capacity of 480,000 tons of ore concentrate has been formed and the output of concentrate powder is expected to be over 100,000 tons this year. Last year, the county's gross output value of industry and agriculture was 120 million yuan of which the output value of in-

dustry was about 40 million yuan. This year the output value of agriculture is basically [the] same as last year but the output value of industry is expected to be about 50 million yuan. It is anticipated that next year the output value of industry will reach 80 million yuan, being 50 percent of the gross output value of industry and agriculture. Operation of the mining industry by the masses has truly become a breakthrough point leading the whole county to wealth and affluence.

Second, we must strengthen leadership. Enforcing control by the county ensures the performances of a good job in mass mining. Each and every one of these three counties has already set up around 10 small ore dressing plants. A small number of them are jointly operated by the country, township and village while the majority are operated by the township or the village. It can be seen that without making unified arrangements ahead, confusion will reign, not only affecting the construction speed and the display of the investment results but also resulting in a situation of the parties fighting over resources and wasting resources. Hence from the start of the mining process, they set up a command headquarters with a leadership comrade of the county CPC committee and country government taking unified charge of the construction affairs, and stipulated that no small ore dressing plant can be established without ore resources having been guaranteed available for at least 10 years and that in areas known to have resources only one small ore dressing plant should be set up within an area of 10 li, thereby avoiding redundant construction or blind building. The construction of each and every small mine must first go through a survey of the conditions of the resources and a mining program must be prepared for submission before the relevant department will issue a mining permit and the industrial and commercial department, a business license. Only with these two permits will the public safety department provide the necessary training for blasting work and the explosives. In the course of construction, the problems of seeking the relevant departments of the county to supply electric power, water, transport facilities, building workers and so forth will be left to the county which will make the overall arrangements, thus avoiding needless disputes and delays and speeding up construction. All these counties have established mining companies and mining management offices or stations in townships or districts which have a relatively large number of small mines. The purposes are to strengthen trade control, render good technical services, train personnel, organize in a unified manner the marketing and transport of iron concentrate powder, help solve the difficult problems of the masses in mining work, and help the mines improve their economic benefits. Facts have proven that in respect of mining by the masses it is necessary on the one hand to liberalize and, on the other hand to manage well and that emphasizing this situation of letting the county take charge can achieve the proper extent of liberalization and control. It will speed up development of small mines and will not damage or destroy mining resources.

Third, as for the guideline for mining, we must insist on taking a scientific attitude, seek truth from facts, and work out a path suited to the special features of mass mining activities. In the construction of large and medium-sized mines, because of the rather long construction period, the usual procedure is ϕ to take up ore mining in the mines first; but the practice in Tangshan is to start with building the ore dressing plant first as the guideline advocated by the municipal CPC Committee is "to use dressing to promote mining, to use mining to ensure dressing, and to make the two fit each other."

This is because despite plentiful resources, the grade of ore is low, having an iron content of only a little over 30 percent and not qualified for use except through ore dressing. As for the mining process, since most of the ore lies on the earth surface, hand picking can serve the purpose even in the initial stage. As for the problem of building ore dressing plants, the guideline adopted is integration of medium-sized and small plants but emphasizing small plants and integration of native and foreign methods, using whichever applicable, and gradually moving toward perfection. At first glance, it creates concern over whether the 1958 occurrences might be repeated. But a visit to the mines will reveal that the industrial design, technology and equipment in use are mostly "foreign," and that the native aspects are in regard to the plant buildings and certain supplementary links and procedures only. For example, tents are used in lieu of plant buildings; in winter, stoves are used in lieu of modern air conditioners, manual labor is used in ore feeding, and a precipitating tank is used in place of a modern filter machine. To quote their words, this is like: "Getting on the horse first, fixing the saddle later, and, after galloping for a short distant, applying the whip." In reality, this is manifestation of the spirit of creating an enterprise in difficulty and working simply and thriftily. By so doing, it is possible to more quickly display the investment benefits and accumulate capital funds in a "snowballing" manner. In course of construction, a scientific attitude is insisted upon. All the projects have gone through the ore dressing tests, all are accompanied by designs and drawings, and all have passed the feasibility test to a definite extent. Because the localities are more versed on the dressing techniques of magnetite and due to the relative small scale of the projects, the construction procedure of large mines cannot be exactly followed and the great majority of the industrial design plans of the ore dressing plants are drafted by the planning personnel of the Malanzhuang mine, the Shirenkou mine, and the city metallurgical company. Facts have shown that these plans have all passed the tests of actual practice, and their other merits are short planning time, low investment estimates, small charges, aiming at real benefits, and generally welcomed by the populace.

Fourth, old mines should lead new mines, large mines should lead small mines; they should help and promote each other and develop jointly. In the Tangshan region, there are few old mines. Outside the Capital Steel Mining Corporation located in Qianan County, there are only the Zunhua Shirenkou Mine which is subordinate to the province, and the Qianan Malanzhuang Mine, which is subordinate to the city. But they all have rendered strong support to the construction of the small mines, helping the latter in locating resources, examining the feasibility of projects, installing equipment, training technical backbone personnel, and so forth. In particular, in regard to the Malanzhuang Mine, several members of the county CPC Committee, leaders of the county government and employees of the various small mines all have praised their good workstyle and asked that their merits be duly recorded. This mine, which went on line in 1972, has a production capacity of only 150,000 tons of ore, and a staff of 700 people of whom only some 300 workers are in the mining and dressing workshops. The size of its staff is about [the] same as that of a newly established mine of the same type. It has only 24 technicians, but it has taken on the job of rendering aid to small plants as its own obligation. It has taken part in the surveying, planning, installing and testing tasks of 12 small ore dressing plants, being able to produce a full set of design drawings generally

within 2 months' time. According to the state's regulations, the planning charges should be 2 percent of the construction investments, but it has made only a symbolic charge of 500-1,000 yuan. In addition, it has helped the various small ore dressing plants to train over 150 technicians, examiners and general management personnel. If a small mine can take up so much work and if all the large mines can follow its example and perform their role, then there will be a big change in the appearance of mining work of the masses and the help rendered will all the more be welcomed. In aiding the small mines, the old mines themselves have also been benefitted by aid from the localities. Last year, the Malanzhuang Mine undertook expansion work and needed the requisition of a dozen mu of land. The village and district concerned all gladly helped and while the requisition report was on the way to the upper level, lease of the land was forthwith granted and construction started. At present, even though confirmation of the request has not been received from above, the project concerned has already been completed, thus saving much valuable time. The mine also built a high-tension power line of a dozen kilometers in length and passing through a dozen villages and three districts. Construction of the project was given green light all the way through and was thus greatly facilitated.

Further "Liberalizing, Invigorating and Managing"

Only a year's time has passed since the emergence of the mining activities of the masses in the Tangshan region and a good start has indeed been made. But much work has yet to be done if sustained, stable and safe production is contemplated. The advocation of the Tangshan municipality CPC Committee is that next year stress will be laid on the upper and lower levels working toward "perfecting work in closing up gaps, consolidating and improving," particularly doing a good job on the second assignment, namely, "uplifting mining to ensure dressing," and exerting great efforts on emphasizing construction of the mining fields. This assignment will be more difficult than the work of attending to the small ore dressing plants. If it is not done well, there will be no way of completing the first assignment of "using dressing to promote mining." In regard to the small ore dressing plants already established, they should strongly emphasize closing up gaps within the plants, further strengthen management and strive to improve the economic benefits. In addition, they should smooth out the transport lanes, perform a good job in the integration of mining, transporting and marketing, and enable the whole production of iron concentrate powder to be transported to the steel plants concerned.

Judging from Tangshan's experiences, it may be seen that in those areas with relatively better conditions in mining resources, development of the ore mining and dressing businesses of the masses can be faster than originally conceived. During the "Seventh 5-Year Plan" period, the production capacity of the iron ore mining activities of the masses in the localities may possibly double the present basis of 12.16 million tons. Possibly also, there will be an emergence of several counties with an annual production capacity each of one million tons of iron ore. (At present there is only one such county and this is Wuan County of Hebei Province.) To facilitate healthy development of the mining activities of the masses, currently we still need to do much work to further "liberalize, enliven and manage well," laying emphasis on performing a good job in the following lines of work:

First, it is necessary to clearly demarcate the available areas for mining on the basis of ascertaining the location of the resources. If the resources are not first ascertained, liberalization will be aimless and opening mines and building plants will be like groping in the dark. An important reason why the mining activities of the masses in the Tangshan region have progressed so swiftly and reaped such good results is that there has been a relatively clear understanding of the conditions of the resources and this has provided firm ground for the establishment of a number of small magnetitide ore dressing plants. Unfortunately, at present some areas, though still lacking a clear grasp of the condition of resources, have been anxious to set up ore dressing plants; some localities have built ore dressing plants simultaneously with the locating of resources; while still other regions, based merely on past reports of the masses on the mine resources and their estimates of the ore deposits, have rashly gone ahead with the setting up of plants. All this has resulted in much waste. We must learn in earnest from the lessons gained.

On the basis of gaining a clear knowledge of the resources, it is still necessary to do a good job in resource demarcation work, to clearly designate and demarcate the mining areas and limites. Since the Tangshan region has plentiful resources which are spread fairly widely and there are more ore body fragments to be found, problems in regard to resources are not serious, but in areas adjoining the state-run large mines, problems do exist. In this connection, two tendencies need to be overcome: one is that state-run large mines are unwilling to give way but insist on claiming the resources as their own; and the other is that cadres of certain localities wrongly interpret the guideline "large mines to be developed in a big way" and even take it to mean that everybody may develop the large mines; they are in a rush to develop large mines already lined up in the state's mining and developing plan but still undeveloped at the moment, pleading that "since you do not develop them, let us do it." As a result, the state's resources are wasted due to the lack of an overall plan. Hence we must first emphasize resources demarcation work in these areas and clearly mark out a portion of the resources for the counties to open up, or for the counties and districts to organize the masses to open up, or adopt the measure of joint operation of the mines by the state and the localities.

Second, it is necessary to help the localities with capital funds, materials and equipment. It is true that not too much capital is required for mining activities by the masses but under the current conditions of the rural villages not being very affluent, depending on the masses alone to raise funds is not sufficient. If the investment of 50 million yuan in the iron ore mining activities of the masses in the Tangshan region, a little over 9 million, or less than 20 percent, were actually raised by the districts, villages and individual peasants. If there had been no support in the form of loans from banks at various levels, the mining activities would not have flourished. From now on, it is still necessary to select a number of regions with relatively good resource conditions and provide them with support in the form of granting them appropriate bank loans. If necessary, we may take out a portion of the capital funds for the building of large mines to loan to those small mines which can produce high results and quick benefits. There must also be relatively stable sources for the supply of materials. For example, at the end of this year, the

scale of ore mining and dressing will match that of the Hanxing Mining Bureau, but there is yet no fixed channel for the supply of steel materials and this will make it difficult to ensure sustained and stable production. At present, certain provinces and regions have observed the practice of returning a proprotion (usually 2.5 percent) of steel materials based on their metallic content and it is recommended that this practice be followed by the various regions. Equipment and materials lying idle and discarded in renovation work in the major mines should actively be used in aiding the mining activities of the masses but the price charged should be rational. Various large mines, old mines, construction units and research and planning departments should actively take up the burden of the planning and installation tasks of mines developed by the masses.

The relevant machine-repairing departments should also initiatively accept the tasks of processing accessory parts and of inspection and repair thus making it easier for the masses to undertake mining activities. Universities, specialized institutions of learning, large mines and old mines should all vigorously help small mines in the localities to train various kinds of technicians and management personnel and do a good job in rendering technical advisory services.

Third, we must further strengthen management. In regard to the mining activities of the masses, it is necessary not only to give due consideration to the allocation of resources and support in materials but also to help them in matters of management. Viewed from the country as a whole, there must be an organization which is responsible for such jobs as planning the development of small mines, providing technical guidance, adjusting equipment, relaying and dispatching information and news, training personnel, coordinating supply, and production and marketing relations. At the moment, it is planned to establish a national small mines advisory service company to take charge of these functions. Seen from the localities, particularly the relevant counties, there must be a department for the unified management of small mines, so as to enforce trade subordination. Only when this level of management is stressed, will it be possible for the mining activities of the masses to develop in a healthy manner. And how should trade subordination be attended to? There are two methods: one is in accordance with the nature of the ownership system of the enterprises--subordination to the rural small town enterprise bureau; and the other is in accordance with the nature of the enterprises--subordination to the county mining company. Tangshan city and the nearby three counties have adopted the latter method, and through the county mining company, trade management is strengthened and rendering of various kinds of services is performed well; as for the rural small town enterprise bureau, it is responsible for the compilation of statistics on various targets and various phases of work such as output value and profits. Actual practice has shown that this facilitates promotion of the development of the mining industry of the masses. Inside the mines operated by the masses, it is also necessary to strengthen management and efforts must be devoted to the training of personnel and improving the quality of the staff. Following the development of production, it is still necessary to pay attention to the future as well as the present, to handle the distribution of profits well, and to refrain from minding only the current year's interest, such as dividing and consuming all the profits. It is absolutely necessary to retain a suitable proportion of the profits for maintenance expenses and for the expanded production funds, so that production of the mines can have a sustained and stable development.

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MINISTER ON TRANSPORTATION REFORM, URBAN CONSTRUCTION PLAN

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 33

[Interview by Lao Zhang [0525 4545]: "Minister of Communications Qian Yongchang Talks About China's Transportation Reform and Construction Plans for Opened Cities"; date and place of interview not given]

[Text] In a special interview with our correspondent several days ago, Qian Yongchang [6929 3057 2490], China's Minister of Communications and a sea transport expert, said that the situation of China's communications and transportation is excellent, that the structural reform is continuing its in-depth development, that transportation production is steadily increasing, and that the development of communications and transportation in the opened coastal cities is particularly gratifying.

[Question] In the past 2 years, China's communications and transportation have undergone great developments and transportation capacity has been greatly increased. Where have the major changes taken place?

[Answer] There has been sustained growth in transportation in the past 2 years. Continued efforts are being made to study the ongoing reform of the communications and transportation structure. In the areas of management system and production, the following unprecedented changes have taken place:

First, through the reform, we have initially accomplished the separation of government and enterprise functions. The enterprises now have greater decisionmaking power and vitality. They are gradually becoming relatively independent economic entities.

Second, in transportation, the rigid control has become more and more relaxed, and the spectacle of competition among many different units is now appearing. At present, there are 180,000 passenger and cargo vehicles and nearly 230,000 ships for inland water transport, all owned by individuals, and their annual traffic volume amounts to about 3 million tons. China's ocean transport is also operated by many different units instead of being "monopolized." There are now scores of units engaging in ocean transport. Transportation in the Chang Jiang is beginning to flourish. In 1984, cargo traffic in the main course of the Chang Jiang totalled 172.33 million tons, the most ever recorded in China's history.

Third, the situation of infrastructural construction in communications and transportion is excellent, thanks to the participation of the central authorities, the various departments and regions, and many enterprisesin the projects. The main engineering project in the building of berths for 10,000-ton vessels in Lanshantou by Shandong Province itself has been completed, and another passenger wharf for 5,000-ton vessels is being built in Shidao. In Zhongshan, Guangdong Province, a number of small and medium-size berths, including those for 5,000-ton vessels, have been completed, and work on a freeway from Shanghai to Jiading has already been started with investment by Shanghai Municipality. The advance work of another freeway between Guangzhou and Shenzhen, built with joint investment by Guangdong and some Hong Kong merchants, is now in progress.

Fourth, in capital construction, the systems of contracted responsibility and public bidding are now commonly used. These systems have helped improve the competence of the enterprises and accelerated the progress of infrastructural construction.

[Question] Please describe the initial plan of construction for the opened coastal cities during the Seventh 5-Year Plan.

[Answer] Our initial plan is that during the Seventh 5-Year Plan, construction in communications and transportation will be be more efficiently synchronized with construction in the opened cities in order to meet the requirements for opening to the outside world. At the end of this year, 34 deep-water berths for 10,000-ton or even larger vessels will be completed and put into operation. By that time, there will be 200 deep-water berths in the coastal ports whose traffic handling capacity will reach 317 million tons.

In 1986-1990, according to our estimates, the total traffic handling capacity of China's harbors will be about 500 million tons, including about 400 million tons--80 percent--for the opened cities and the SEZs. On this basis, about 121 deep-water berths will be built for the coastal ports during the Seventh 5-Year Plan, so that by the end of 1990, there will be about 320 such berths, including about 280 for the opened cities and SEZs. At the same time, we will build the Beijing-Tianjin-Tanggu and the Guangzhou-Shenzhen freeways and a number of highways to help clear congestion at the ports, improve a number of inland waterways as feeder lines to the harbor cities, and set up some barge facilities, so as to raise the ratio of highway and waterway transportation in bringing materials to and from the harbors.

[Question] What are the plans for meeting the urgent needs of passenger and cargo transportation between southern China and Hong Kong and Macao and for accelerating the construction of harbors and other infrastructural facilities for transportation?

[Answer] The layout of harbor construction in southern China is now under study. At the mouth of the Zhu Jiang are Huangpu Harbor, Guangzhou Harbor, Chiwan Harbor, and Zhuhai Harbor. Shenzhen City also wants to build a Dapeng Harbor. Now there seems to be a common desire everywhere for the pace of construction to be quickened. The Ministry of Communications is now conducting further investigations and study and will make proper readjustments

to the preliminary plans for communications and construction in the opened coastal cities during the Seventh 5-Year Plan.

[Question] What are the plans for addressing highway and harbor construction problems in Fujian?

[Answer] According to need and to Fujian's situation, ocean transport should be developed vigorously. Fujian has a coastline of more than 3,300 km. There is a fine natural deep-water harbor which can be developed and used to very good advantage. The passenger and cargo traffic in and out of the province is continuing to increase. Its exports include timber, sand, and stones, and its imports include grain, coal and so forth. In the future, the cargoes and materials of some areas in Jiangxi and Hunan may be imported and exported through Fujian. During the Seventh 5-Year Plan, Fujian plans to build 21 large, small, and medium-size berths, including 3 passengers berths, 10 deep-water cargo berths, and 8 small and medium-size cargo berths.

[Question] What principles will be observed in constructing the harbors of the opened coastal cities during the Seventh 5-Year Plan?

[Answer] Our principles may be summarized as follows:

1. Simultaneous construction of large, small and medium harbor construction projects: While building a number of large harbors with modern equipment and under modern management, and to a play a key role in the handling of heavy traffic, we should also build a number of small and medium-size harbors to share the burden of the large harbors and to serve the economic development of the local areas. In the harbor areas, there should be deep-water berths as well as small and medium-size berths and barge service.

2. Building a collection and distribution system of different modes of transportation for the harbor: Besides railways, we should give full play to the roles of highways and waterways in collecting and distributing loads for the harbors. In places where conditions permit, we should simultaneously provide facilities for ships to be berthed at the wharves and to be served by barges.

3. Strengthening the technical transformation and scientific management of the existing harbors: Technical transformation will be focused on the use of advanced technical equipment and efficient loading/unloading techniques as much as possible in order to change the the appearance of the old berths in the major harbors along the coast and the inland rivers and to improve their efficiency and utility. This transformation will be carried out in separate groups.

4. Implementation of the principle of relying on the resources of both the central and the local authorities so as to arouse enthusiasm in various quarters and to raise funds through various channels: For the construction of berths in the harbors included in the state plans, the state will undertake the investment in underwater engineering, while the harbor bureau or the business unit concerned will raise their own funds for the surface installations. Investment for the construction of small and medium-size

harbors will come primarily from the localities. The various provinces, autonomous regions, and muncipalities directly under the central government forming the background of these harbors should build the necessary wharves and auxiliary facilities with their own resources,individualally or combined. The rights of ownership and use belong to the investors.

5. Upholding the policy of opening to the outside world and actively bringing in and utilizing foreign funds and advanced technology: In the future, we should open more avenues for the use of foreign funds, and support and help the local governments make use of the strong points of the opened cities in an effort to obtain foreign loans for harbor construction. The communications sector should offer more preferential terms and adopt some special policies to welcome foreign merchants and overseas Chinese to come to China for joint ventures in the construction of the communications infrastructural facilities.

6. Adoption of the public bidding system to increase the efficiency and results of harbor construction: In the future construction of China's harbors, the capital construction units of the communications sector, as well as capital construction enterprises of other sectors and the localities, can all make bids, which will encourage competition. In the construction projects for which foreign funds will be used, international biddings will be conducted. The bidding can be for a whole series of projects or for only a single project.

9411
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CHINA TO ADJUST INTEREST RATES ON SAVINGS, LOANS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 4 Sep 85 pp 10-11

[Text] On 22 July, the State Council approved and transmitted a report by the People's Bank of China on adjusting interest rates on savings deposits and fixed assets loans, demanding that all departments concerned comply with it.

The report by the People's Bank proposes to adjust existing interest rates on savings deposits and fixed assets loans in order to improve the economic results of fixed assets investments and better control the scale of such investments. The proposed adjustment is also intended to coincide with this year's wage and price reforms and stimulate the withdrawal of money from circulation. Details are as follows:

1. Increase interest rates on time savings deposits in a major effort to expand savings. Annual interest rates on 6-month, 1-, 3-, 5- and 8-year time deposits will go up from the present 5.4, 6.84, 7.92, 8.28 and 9 percent to 6.12, 7.2, 8.28, 9.36 and 10.44 percent, respectively. Interest rates on current deposits will remain unchanged. The Overseas Chinese Bank should make corresponding adjustments to the interest rates on RMB deposits and other types of deposits such as those which allow a depositor to deposit a lump sum and withdraw it piecemeal, make piecemeal deposits and later withdraw in a lump sum and deposit principal and withdraw interest.

To develop their savings business vigorously, banks should take these measures: (1) Actively mobilize all organizations, military units, enterprises and institutions to act as their agents to collect savings deposits. Banks should designate a savings agent at each unit to attract savings deposits. The agent will be paid a fee calculated in accordance with regulations. Party and government leaders everywhere should strongly support this effort and all units should enthusiastically act on behalf of the banks. The management of the work of savings agents should be strengthened and guidance for them intensified. (2) Increase the number of points where people can open savings accounts and the number of personnel. The initiative of existing savings personnel must be mobilized. Outstanding personnel may be rewarded, if necessary. (3) Introduce a multitude of savings accounts, eg., those which give depositors prizes or enable them to buy houses or durable consumer goods.

2. Increase interest rates on fixed assets loans. It is proposed that the two kinds of interest rates, on technological modernization loans and capital construction loans, respectively, be combined into one to be known as fixed asset loans interest rate. A system of differential interest rates will be introduced under which the rate varies with the maturing period of the loan. Interest rates on fixed asset loans will be appropriately increased to put an end to the existing unreasonable situation in which such rates are lower than those on circulating fund loans and on savings deposits. Specifically, the annual interest rates on 1-, 3-, 5-, and 10-year loans and beyond 10 years will go up from the current 5.04, 5.76, 6.48, 7.2 and 7.92 percent to 7.92, 8.64, 9.36, 10.08 and 10.80 percent, respectively.

The above rates will also apply to fixed asset loans to urban, town, and collective enterprises. Interest rates on production equipment loans to township and town enterprises should also be increased accordingly in light of increases in their counterparts for fixed asset loans.

As for interest rates on loans in lieu of government appropriations, this year we will follow the "Provisional Regulations concerning the Change in the Method of Financing of Budgeted Capital Projects from Appropriations to Loans," drawn up by the State Planning Commission, the Ministry of Finance, and the Construction Bank. In the future, the combined fixed assets loan rates will apply.

3. With higher interest rates on fixed asset loans, the central and local governments should undertake projects and a low profit margin [non sequitur as published], such as key national projects in energy, building materials and transportation, and certain technological modernization projects. A system of interest subsidies may be adopted, if necessary, under which whoever develops a project will also be responsible for the interest subsidies. Detailed interest subsidy methods will be worked out by the State Planning Commission and State Economic Commission in consultation with the departments concerned. Banks are authorized to suspend credit to projects that have low economic results and where there is no assurance that the loans will be paid off with interest. When a bank considers a project in the state plan ineligible for a loan, it should make known its views as soon as possible so that adjustments may be made by the departments.

4. After interest rates on savings deposits are adjusted, there will be a decline in the amount of savings that credit unions will be able to attract and deposit in banks. To encourage rural credit unions to develop savings business, banks may make up the shortfall as appropriate to shield the unions from losses.

5. Interest on fixed asset loans shall be calculated and collected on a quarterly basis. Interest on all deposits and loans made before rate adjustment will be calculated on a sequential basis.

The above interest rate adjustment plan will go into effect on 1 August 1985.

Table 1: Interest Rate Adjustment Scheme for Lump-Sum Deposits for Piecemeal Withdrawal and Piecemeal Deposits for Lump-Sum Withdrawal by Urban and Rural Individuals and RMB Deposits by Overseas Chinese

Lump-sum deposit & piecemeal withdrawal, piecemeal deposit & lump-sum withdrawal, withdrawal of interest only		Existing Interest Rates Monthly%	Existing Interest Rates Annual%	Adjusted Interest Rates Monthly%	Adjusted Interest Rates Annual%
Time Deposits by Urban, Rural Individuals	1 yr.	4.5	5.40	5.1	6.12
	3 yr.	5.7	6.84	6.0	7.20
	5 yr.	6.3	7.56	6.6	7.92
RMB time deposits by overseas Chinese	1 yr.	6.0	7.20	6.9	8.28
	3 yr.	6.9	8.28	7.8	9.36
	5 yr.	7.5	9.00	8.7	10.44

Table 2: Adjustment Scheme for Interest Rates on Fixed Assets Loans

Type of Loan	Present Rates Monthly%	Present Rates Annual%	Adjusted Rates Monthly%	Adjusted Rates Annual%
1. Fixed assets loans:				
Up to 1 yr.	4.2	5.04	6.6	7.92
Between 1 & 3 yrs	4.8	5.76	7.2	8.64
Between 3 & 5 yrs	5.4	6.48	7.8	9.36
Between 5 & 10 yrs	6.0	7.20	8.4	10.08
Above 10 yrs	6.6	7.92	9.0	10.80
2. Loans in lieu of appropriations	3.0	3.60	Unchanged for the time being	

Table 3: Adjustment Scheme for Interest Rates on Savings Deposits

Type of Deposit		Present Rates Monthly%	Present Rates Annual%	Adjusted Rates Monthly%	Adjusted Rates Annual%
Savings deposits by urban, rural individuals	Current time	2.4	2.88	unchanged	
	6 mo.	4.5	5.40	5.1	6.12
	1 yr.	5.7	6.84	6.0	7.20
	3 yr.	6.6	7.92	6.9	8.28
	5 yr.	6.9	8.28	7.8	9.36
	8 yr.	7.5	9.00	8.7	10.44

Interest rates have a dual function in modern economic life:

1. Macroeconomically, interest rates regulate the total money supply. By increasing interest rates, the government raises the cost of borrowing money and tightens the money supply. On the other hand, by lowering interest rates, it creates additional demand for credit and relaxes its grip on the money supply.

2. Microeconomically, interest rates are a tool of selective support. By offering lower-interest loans to reputed enterprises with good economic results and higher-interest loans to poorly-run, low-profit enterprises, banks help reduce the former's interest payments, thus sharpening their competitive edge, while heightening the possibility of the latter's elimination as a result of higher interest payments.

12581
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TECHNOLOGY-FIRST IMPORTATION PROMOTED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 13-16

[Article by Chen Jingcheng [7115 2529 4141]: "Problems in Technology Absorption"]

[Text] As the open door policy has become an accomplished fact, China's technology import has entered a new stage. In the 6-year period from 1979 through 1984, Fujian imported a total of $490 million worth of technology and equipment using government foreign exchange and foreign capital (the actual amount of foreign capital used was $168 million), and RMB funds for importing complete sets of equipment were approximately 2 billion yuan, equivalent to Fujian's investments in fixed assets in a year and a half. If we make good use of these imports, they will go a long way toward changing Fujian's backward look and enable us to quadruple our gross industrial and agricultural output value earlier than scheduled.

We import technology in order to absorb [xiaohua 3194 0553] foreign scientific and technological achievements and apply them to our modernization. But the absorption of advanced technology observes its own laws. Only by coming to grips with such laws, mapping out a correct strategy, and combining absorption with innovation can we truly spur modernization.

A. An Effective "Absorption" Policy Stems from an Effective "Import" Policy

The object of absorption is imported technology. To absorb the world's advanced technology in a systematic way, we should hammer out an effective strategy based on other countries' experience in technology absorption and tempered with China's own realities. Accordingly, we must begin by exploring the basic issue of what is an effective import policy.

What is technology import? This question has generated much controversy in China for many years. Internationally, "technology import" is known as "technology transfer." The draft text of the "International Technology Transfer Regulations," drawn up by the United Nations [UN] on 20 April 1981, defines "technology transfer" as the "transfer of the systematic knowledge of manufacturing a product, applying a process or providing a service, but does not include the simple buying, selling or leasing of goods." Therefore, technology import is not the buying or selling of conventional commodities or equipment, but is a form of trade in technical knowledge, or at least one

dominated by technical knowledge. (For instance, it includes the key equipment that accompanies technical licensing trade.) According to this guiding principle, technology import is the import of "software," or of "software" predominantly. In other words, it is dominated by intangible intellectual products, not tangible ones.

There are some who argue that the material embodiments of patented inventions or technologies--key equipment, testing methods, and even production lines--should also be included in the scope of technology import; that is, equipment purchases are also technology import and that technology import should not exclude the purchase of equipment. In the past, this view was the conventional wisdom in China. According to statistics, of the over $10 billion worth of imports we have contracted for since the 1970's, plants accounted for 80 percent and single pieces of equipment 17 percent, while genuine technology imports only 3 percent. Plants made up 89 percent of imported technology and equipment in the 1950's, 90 percent in the 1960's, and were a high 95 percent in 1978-79. Of the 407 pieces of technology approved for import by Fujian Province in the 6 years from 1869 to 1984, only 3 were genuine technology imports, namely, Japan's piston ring technology imported by Nanping Automobile Assembly Plant; the Italian Lu-Que [phonetic] Co's patented technology and equipment for cephalosporin imported by Fuzhou Antibiotics Plant, and Zanussi Co's patented refrigeration technology and production lines imported by Zhangzhou General Machinery Co. With a total price tag of $3,582,700, they represent 1.15 percent of total outlays for imported technology, or 27 percent if we include Xiamen's purchase of a production line from Kodak Co to make sensitive materials, a project which still awaits government approval. We are a laggard in the field of technology import compared to Shanghai. In recent years, about 70 percent of the technology imports of Shanghai's electrical machinery industry were predominantly "software."

Needless to say, there is a stage when it is imperative that we extensively import key equipment and production lines so as to speed up the modernization of fixed assets. The need is made particularly urgent by the disruption and destruction caused by the "Cultural Revolution." Our industrial equipment is suffering from severe wear and tear, has become obsolete and cannot do a good production job, so there is a dire need for new equipment to expand our reproduction capacity. If we fail to make use of favorable circumstances and import advanced equipment at the right time, but choose instead to make our own hardware after we have absorbed the imported technology, our rate of development may be affected. But we should see that this kind of import is an inferior form of import and strategically undesirable. We should outgrow this stage as soon as possible and import mostly technology instead of equipment for the following reasons:

1. That we import mostly technology is dictated by the need for China's science and technology to catch up with the world's explosive technological revolution. The UN definition of technology transfer is a crystallization of international experience. We should follow it in order to improve the standard of China's technological development and put our industrial development on a level where it can absorb and assimilate relatively advanced science and technology.

2. With our solid industrial base, we have an immense capacity for absorbing imported science and technology. Since the establishment of the People's Republic of China, both our industrial technology and material base have made much progress. We have millions of scientific researchers and engineering and technical personnel and 800 billion yuan worth of fixed assets. Our machine tools alone number 3 million. We still need to import a small number of sophisticated plants and numerous pieces of key equipment in the days ahead. But the most elementary stage when our technology imports were dominated by plants is over. Now we must leap through as soon as possible the intermediate stage during which we import mostly single pieces of machinery and key equipment and steadily enter the stage when we import mostly technology.

3. The import of "software" economizes on foreign exchange. The import of technology, equipment and production lines all costs huge sums of money and cannot go on for long, whereas the import of technology, that is, the import of design blueprints, technical data and patented and licensed technology, is much less expensive and we can use the foreign exchange thus saved to finance other developments. If too much foreign exchange is spent to purchase machinery, there will not be enough left to invest in the absorption of technology and technology import itself becomes less than totally useful. At present, our province's 200 scientific and technical research units are so acutely short of funds, particularly foreign exchange, that the import of prototypes and absorb technology is completely out of the question. Only with great difficulty can the most enterprising of them manage to raise some foreign exchange on their own to carry out technology absorption in a small way.

4. Avoid duplication and irrational import. By making technology and not equipment the bulk of our imports, we can absorb foreign technology piece by piece in a more systematic, goal-oriented way and promote the development of technology at home. But when we import mostly hardware, we tend to be unduly concerned with instant productivity gains. We tend to focus on what we can use right now and ignore actually making what we can use. Since whoever has foreign exchange can import equipment, the result is widespread duplication and irrational import. In the past few years, Fujian imported a total of 14 high-frequency vacuum canning production lines, over 100 injection molders, scores of knitting machines of all kinds, and dozens of freezers of various types. These imports have much to do with the double-digit growth rate of the province's gross industrial output value last year. But since most of these imports are hardware, not technology, the output growth rate cannot be sustained for long because it is not built upon the autonomous development of technology absorption and hence lacks staying power. An imported piece of technology has to be replaced when it wears out. Moreover, we even have to import spare parts.

We are not opposed to the import of key equipment or single pieces of machinery under certain circumstances. But we should regard such imports as commodities and not lump them together with technology imports. Only thus can we preserve the import of technology as a special area essential to achieving the four modernizations and apply special policies and management. Only thus can we catch up with and surpass international technological standards.

B. Stumbling Blocks to Technology Absorption

By clarifying the guiding principles for technology import, we have objectively set the strategic direction for the absorption of advanced technology. And the success and otherwise of absorption determines the outcome of technology import as a whole and plays an important part in the historic process of catching up with the world technologically. At present, however, there still exist in China many stumbling blocks to technology absorption.

First, we lack a clear and long-term industrial development strategy. Nor do we have a coordinated strategy linking together all sectors and all regions. Technology absorption is not an end in itself but should serve the needs of social production and consumption and depends on the development strategy of production and technology. As far as our province is concerned, we still do not have a clear industrial development strategy as yet and there is no consensus on which mainstay industries we should develop. Hence the high degree of irrationality with which we import, absorb and develop technology.

Moreover, the state does not have a sound and well-coordinated management system when it comes to importing technology. The state management currently in existence is generally confined to project examination and approval and becomes downright superficial in such important areas as absorption (How should a piece of technology be absorbed? By whom?) and popularization (refinement, innovation). We have an import plan, but no absorption plan. We emphasize the import of equipment and ignore that of technology. The scientific and technical development plans of the science and technology commission are divorced from the import plan of the economic and planning commissions. The science and technology commission has not been allowed to play its full managerial, guiding, and leadership roles in technology import. Today, many technology import departments have become in effect foreign material procurement departments, while overseas study missions have become mere buying missions.

Nor has there been a systematic effort to draw up laws to regulate technology import. In fact, legislation in this area lags badly behind other forms of economic legislation. Essentially a government management system in technology import has yet to take shape.

Third, we are seriously short of funds, materials and personnel to carry out technology absorption. One of our most glaring problems at the moment is that while we have the foreign exchange and funds to import technology, we do not have similar resources to absorb it. To develop technology, the Fujian Mechanics Research Institute has no choice but to pinch and save to come up with some foreign exchange on its own in order to absorb some of its less sophisticated imports. Enterprises are even less able to raise funds to absorb technology. Developed nations spare no money to invest in research and development [R&D]. Whatever they cannot absorb they will not import. In China, however, it is extremely difficult to raise funds for absorption. In Japan, 72 percent of R&D funds come from the private sector and only 28 percent are provided by the government. We are the first province in the country to put stress on intelligence. And technology absorption is an

important aspect of developing intelligence. As things now stand, the dire shortage of funds and foreign exchange for technology absorption is primarily caused by their misuse. We pay so much attention to import that we ignore assimilation. Some joint ventures spend foreign exchange importing such things as banisters, doorknobs, and screwdrivers. Others are even more irresponsible and insist that even their sofas, swivel chairs, and bedpans be foreign-made. Meanwhile scientific research and design departments are starved for funds, for artificial reasons and not because there is an actual shortage of money. As for materials and personnel, they are even more rarely made available to the assimilation departments.

There are other factors impeding technology absorption. For instance, the interflow of scientific and technical information is less than smooth; channels are few and access to data is limited. There is no guarantee for the material incentives of absorbing and popularizing imported technology. Also lacking is a scientific verification system for imported technology. And so on. All these problems must be solved urgently.

C. An Exploration of Technology Import and Absorption Policies

1. We must map out our technology development strategy and increase the contribution technology makes to national economic growth. In this way, the absorption of imported technology will play an effective role in promoting technology development. Statistically, the application of scientific and technical achievements accounts for 70 percent of the growth of the Soviet economy in the late 1970's. From 1965 through 1970, about 76 percent of the growth of the Japanese economy was fueled by technical innovations and the application of new technology. Science and technology are increasingly stimulating productivity. From 1979 through 1982, the contribution of technical progress to the growth of China's gross industrial output value was 26.8 percent. Since Fujian is relatively backward in science and technology and has less than 200 scientific and technical organizations, 40 percent fewer than Guangzhou, the contribution attributable to scientific progress is correspondingly lower than that in Guangzhou. Hence it is imperative that we take technology development even more seriously and strengthen the guidance and planning in technology absorption and increase investments in that area. We must fully understand that to bridge the economic gap, we must first narrow the scientific gap. We must be firmly resolved to change our former unworkable approach of solely relying on equipment and labor and discard our preoccupation with instant, short-term gains.

2. We must establish a technology import management system which revolves around absorption. To strengthen our leadership over technology import, we should set up a powerful and centralized national technology import agency to exercise leadership over the selection of technology for import and the planning of industrial technology development, coordinate between technology development and technology import, oversee the absorption, popularization and planning of imported technology, and draw up laws and policies to regulate the import of technology. In this way, we can put an end to the fragmentation characteristic of the way in which the government now manages imported technology. As far as project evaluation and assessment is concerned, the absorption plan of a piece of imported technology should be more strictly

examined before approval is granted so that whatever is imported can really be absorbed. Imported technology should be classified in accordance with a number of criteria and governed by different absorption plans. Specifically, an item which involves sophisticated technology, is expensive and must be marketed nationally, should be included in the state imported technology absorption plan. Alternatively, its absorption can be jointly undertaken by the central government and a province. If a province has the technical and financial capability to absorb and popularize a piece of technology, it should be allowed to do so. If an enterprise or a scientific research unit can absorb an item, it should be included in the enterprise's absorption plan. All these evaluation and classification procedures should be part and parcel of the examination-and-approval process so that import and absorption are integrated.

3. Economic mechanisms should be adopted to ensure successful absorption. The following preferential measures may be taken: (1) Import preference: Tariffs may be lowered on all equipment used in absorption, research and vocational training. Their tariff rates must be made lower than those on imported production equipment. (2) Product tax preference: Under the present system, an enterprise must pay taxes and repay loans before it can derive any benefit from technology absorption. It is proposed that within a specified number of years we waive or reduce the income taxes payable by an enterprise on the earnings derived from the sale of products resulting from the absorption of a piece of technology. This is designed to promote enterprise attention to and enthusiasm for technology absorption. (3) Funding preference. An allowance should be paid to an enterprise covering 50 percent of what it spends to import "software" and on related technological research. Moreover, there should be a 3-year accelerated depreciation for research equipment. There should also be preferential interest rates for loans to enterprises which carry out their own absorption. (4) Preference for absorption achievements: Such achievements should be treated in the same way as scientific research achievements and made eligible for material rewards. (5) The absorption achievements of a scientific research unit or enterprise are converted into products by manufacturing units. If the scientific research unit has raised its own funds, it should be reimbursed by the department that applies the achievement.

12581
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EVALUATION OF ECONOMIC RESULTS OF FOREIGN TRADE DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 19-21

[Article by Zhang Songtao [1728 2646 3447]: "Economic Results of Foreign Trade Are Not Completely Quantifiable"]

[Text] How should we interpret the economic results of foreign trade? What should be their scope? How should we comprehensively analyze and correctly evaluate them so that we can come close to reality? For some time, comrades both in academe and the field have expressed their opinions and spoken out on these issues, which shows that the economic results of foreign trade are a complex problem with profound practical implications. Because foreign trade itself is unique, its economic results inevitably exhibit the characteristics of the various economic sectors and industries and mean more than what is generally understood as economic results. On the other hand, they are also different from the economic results of some industries and economic sectors. The uniqueness of the economic results of foreign trade manifests itself in essentially the following forms:

I. Their Macroeconomic Nature

China's foreign trade is state-controlled trade based on the socialist system of public ownership. All our foreign trade activities are under the centralized leadership and management of the state and conducted in accordance with the national economic plan and foreign policies. State control is indispensable to safeguarding our political and economic independence and ensuring the success of socialist modernization. State-controlled foreign trade must also take overall national interests as its point of departure and its goal. In making any deal and undertaking any trade activity, we must consider the national interest first and foremost. The economic interests of the various departments, regions and enterprises involved in foreign trade do not give us a real picture of the overall economic results of foreign trade. We must take national interest as our starting point and go all out to obtain better economic results. Such is the macroeconomic nature of the economic results of foreign trade.

Such a macroeconomic nature embraces a wide area. Owing to lax management, for instance, a number of ports in recent years have irrationally been competing with one another in the export of certain products, cutting prices

in order to promote sales, to the benefit of foreign businessmen. Although one particular region or sector may have made a small profit and even obtained so-called good "economic results," the state as a whole has suffered tremendous losses and the overall economic results of foreign trade have been meager. Not only do foreigners get a good deal, but we also frequently find ourselves the target of anti-dumping charges. As a result, we may have to pay an anti-dumping tax, be subject to quota restrictions, or be driven out of the market. On the other hand, if only we strengthen central management, always keep national interests in mind, coordinate the trading activities of our various ports, centralize our foreign trade, and set and increase prices jointly, we will be able to turn this unfavorable situation around and obtain better macroeconomic results.

As we try to understand and handle the macroeconomic results of foreign trade, we must also take pains to sort out their relations with the microeconomic results of individual foreign trade enterprises (sectors, regions). The microeconomic results of foreign trade are consistent with its macroeconomic counterparts in some ways and differ from them in others. In the course of managing these relations, we must give priority to the macroeconomic results of the state while accommodating those of enterprises (sectors and regions) in order to maximize the former.

The uniqueness of the macroeconomic results of foreign trade also manifests itself in the way they combine with diplomacy to create a positive and stable international environment for China's four modernizations. Foreign economic and trade work is duty-bound to ignore "minor or local" gains or losses so as to obtain an international economic and political situation favorable to China's modernization. Accordingly, the macroeconomic results of foreign trade must also include these aspects.

II. Global Nature

Foreign trade activities transcend national boundaries. Consequently, as we make use of two kinds of resources, open up two markets and acquire two sets of skills in order to serve the four modernizations, we must inevitably examine the economic results of foreign trade in the context of the world's ever-changing political and economic situations and find out where they stand in the shifting sands of the world economy and politics. Only by placing the economic results of our foreign trade in a "global" framework can we determine objectively and realistically whether our economic results are good or bad, whether they indeed help or hinder our four modernizations and to what extent. Such is the so-called "global" nature of the economic results of our foreign trade. If we ignore this aspect and fail to consider matters from a global perspective, we will certainly end up taking a one-sided view when we analyze and evaluate economic results. We should develop a long-term, dynamic viewpoint, relate our foreign trade development to the overall world economic situation, paying particular attention to changes in the capitalist world as it goes through its economic cycle from recession through recovery to boom, make the most accurate forecast possible, and plan our own export and import accordingly on a long-term basis. Since most of our trade today is with capitalist nations and regions, booms and busts in the capitalist world affect us considerably. This will be particularly true as we take the first steps

toward pegging domestic prices to international market prices after defining the direction of price reform and adopting an agency system for our imports and exports. When these changes are in place, it will become even more important for us to keep a watchful eye on the mercurial world market. As a go-between bringing together production enterprises (users) in the country and the international market, foreign trade enterprises play a role in promoting production and expanding exchange, on the one hand, and necessarily introducing into the country an array of positive and negative influences and elements from the international market, on the other. These influences and elements help our enterprises upgrade and modernize their products and intensify the pressure on them to compete. But they also make the domestic economy more vulnerable to conditions in the outside world. In light of this analysis, we should consider taking the following measures to invigorate our foreign trade as one way of speeding up the four modernizations. During a recession, we may perhaps import more than we export and run up a trade deficit. As the world economy recovers and bounces back, we should aim for a trade surplus by exporting more and importing less. Also, we should have in hand a certain amount of foreign exchange reserves and flexibly seize the initiative in foreign trade in a timely way in accordance with long-term dynamic equilibrium. At the same time, we should also vary the exchange rates between RMB and foreign currencies as the situation demands. Adjustments should be made with an eye to maximizing imports or exports, depending upon needs at the time. Needless to say, other appropriate policies and measures should also be taken to reinforce these moves. For instance, when imports exceed exports, we should consider these questions: How should we go about increasing domestic sales and redirecting some enterprises toward producing for and hence enriching the domestic market? How do we keep our old customers and existing markets overseas? When exports exceed imports, it is a different set of questions: How do we go about importing the equipment and technology sorely needed at home for key projects? How do we ensure the stable supply of certain raw materials? And so on. In planning our foreign trade, we must take into consideration changes in the world economy and incorporate them into the set of factors to be weighed in drawing up the nation's medium- and long-range economic and social plans. Only thus can our foreign trade be profitable and earn foreign exchange in a fiercely competitive world market as well as ensure economic development at home and promote market stability and prosperity.

III. The Complexity Of Calculation

In a macroeconomic sense, another characteristic of the economic results of foreign trade is the complexity involved in calculating them. They are not readily demonstrated. There are two ways in which we can interpret the macroeconomic results of foreign trade.

A. We can measure the magnitude of their value. If we are to assess the macroeconomic results of foreign trade by looking at the magnitude of its value, we must establish a system of scientific indicators. The existing indicators such as the foreign exchange earned for every dollar worth of export, circulating fund turnover time, and export fee rate cannot fully measure and correctly evaluate the macroeconomic results of foreign trade. The position of foreign trade as part of circulation (not directly involved in

production), its orientation to the international as well as domestic markets, its subjection to two price systems and artificially fixed exchange rates, and the need to take into consideration such objective factors as diplomatic needs--all this determines that we must weigh a variety of factors in assessing the macroeconomic results for foreign trade instead of basing our judgment on a few indicators. It should be pointed out that the presence of a surplus or deficit, which is much-discussed these days, is no indicator of satisfactory or unsatisfactory macroeconomic results. At most, we can use them to compare, up to a point, the ways in which foreign trade enterprises conduct business. In other words, we can judge the microeconomic results of economic entities in foreign trade by finding out whether they have a trade surplus or deficit, taking into account the variety of objective factors under which they operate. (Even here no strict comparison is possible because specific conditions differ from enterprise to enterprise.) To facilitate the assessment of the macroeconomic results of foreign trade by measuring its value, I propose below a number of indicators for discussion in the hope that together we can one day fashion a comprehensive system of indicators:

1. China's export and import commodity price ratio: This indicator measures the level of China's terms of trade. Essentially it is a ratio between the amount of goods an enterprise can obtain in return for the amount of goods it exports, that is, it measures the rationality or otherwise of the relations between the general level of China's export prices and that of its import prices. This indicator brings together the accounting of export commodities and that of imports to see if it is possible to obtain a higher import commodity value (use value) in return for a lower export commodity value (use value). At present a majority of our exports are primary products, putting us at a disadvantage in international exchanges. This inequity is also reflected in the price ratio. Nevertheless, the price ratio remains a useful gauge of the macroeconomic results of foreign trade.

2. Taxes and profits which accrue to the various sectors of the economy and are derived from foreign trade: This is an overall indicator of the amount of taxes and profits generated by trade activities for the various sectors in the national economy (excluding the foreign trade sector itself). They include: (1) tariffs; (2) taxes on the production of export commodities; (3) taxes on imported raw materials after production; and (4) part of the taxes derived by the commercial sector from the sale of imported commodities. Although taxes and profits are attributable to sectors other than foreign trade and should not be credited to foreign trade entirely, this indicator does reflect the macroeconomic results of foreign trade within a specified period of time.

3. Maintaining a basic dynamic equilibrium in the foreign exchange revenue and expenditure of foreign trade: This dynamic indicator analyzes the macroeconomic results of China's foreign trade by looking at the trade balance. It is not good to run up a trade deficit for long. Nor is it good to pile up surplus after surplus. A lack of foreign exchange reserves is undesirable, as is an excess. This indicator examines whether the foreign exchange in foreign trade is balanced or otherwise as a way of determining the macroeconomic results of foreign trade.

In addition, we should come up with other indicators to make up a comprehensive system.

B. We cannot determine the macroeconomic results of foreign trade by looking at its dollar value. This second way of assessing its results was ignored in the past and should now be placed in its rightful position. Macroeconomic results manifest themselves in at least the following ways:

--Their contributions to industrial and agricultural production, scientific and technical progress, the transmission of new technology, new equipment and new processes.

--Their contributions to various fronts and sectors including diplomacy, defense, sports and health.

--Their contributions to social stability, expanded production and employment.

--Their contributions to bringing about a flourishing market, promoting consumption, withdrawing currency from circulation, and improving living standards.

Such manifestations will remain unquantifiable in the short run, but they do indicate to a large extent the macroeconomic results of foreign trade.

IV. Long-Term Results

One of the important roles foreign trade plays in our four modernizations is to import advanced technology and, through exchange and a careful process of selection, to secure raw and processed materials, equipment and machinery useful to our development. This role takes a long lead time to make its presence felt in the macroeconomic results of foreign trade. This long-term characteristic is particularly obvious for large and medium-sized imported basic construction projects, which will be the backbone of our national economy for a long time to come. We should not overlook this characteristic when we investigate its macroeconomic results.

To sum up, the economic results of foreign trade are macroeconomic, global, and long-term. They are also very difficult to measure. We should realistically look for effective ways to improve such results in the light of these special features.

12581
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REPORT ON DEVELOPMENT OF AIRPORTS, AVIATION INDUSTRY

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 pp 34-35

[Article by Tian Hui [3944 1920]: "Building Airports, Developing the Aviation Industry"]

[Text] "Building airports and developing the aviation industry" is one of the new tasks now confronting China's communications and transportation authorities.

I

The rapid construction and commissioning of Xiamen Airport has produced remarkable results in opening the country to the outside world and invigorating the domestic economy. Because of this success, there is now a feverish demand for airport construction throughout China.

More than 60 cities have submitted reports to the state on the construction or expansion of airports in the past year, and 22 of them have already received approval. They are Qinhuangdao, Shijiazhuang, Tanggu (Tianjin), Shanghai, Lianyungang, Qingdao, Jiujiang, Wenzhou, Ningbo, Yancheng, Guangzhou, Shantou, Haikou, Meixian, Changsha, Chongqing, Xi'an, Shenyang, Dalian, Changchun and Beihai. The demand for the construction of large international airports in Shenzhen and Zhuhai is also becoming more and more urgent.

This year, the funds to be used by the state for airport construction have increased 50 percent over last year. These funds are earmarked for the expansion of airports in Chongqing, Beihai, Wenzhou, and Meixian, and for the construction of airports in Shantou, Haikou, Dalian, Qingdao, Shenyang, and Changchun. State allocations will also be made for the building of air terminals in Yantai, Ningbo, Qinhuangdao, Lianyungang, Jiujiang, Sanya, Nantong, and Yancheng. Most of these projects will be completed and turned over for use within this year.

In the construction of China's airports, priority will be given to the open coastal cities, the SEZs, the economic centers, and the tourist centers, and due consideration will be given to the frontier and minority regions.

Of the 14 open coastal cities in China, 10 are already open to air traffic, while the remaining 4--Qinhuangdao, Nantong, Wenzhou, and Beihai--are making full use of their existing facilities for the construction of air terminals so that they too can be opened to air traffic as soon as possible. Xiamen and Shantou SEZs are already open to air traffic, while the other two, Shenzhen and Zhuhai, are now conduting feasibility studies on the choice of sites.

China's economic centers in Chongqing and Wuhan and its tourist center in Xi'an want to build large airports and have already chosen the sites. The requests of Yinchuan, Xi'an, Lhasa and Yulin for airport construction are being seriously considered by the state.

With a territory of 9.6 million sq km and nearly 300 cities of three sizes, China has only 70 civilian airports, whereas Canada, with a similar territorial area, has 564. The United States has 5,650, the Soviet Union 3,000, and India 220. Of China's 70 airports, only 30 can accommodate large and medium-size airplanes. Since large airplanes are now commonly used, China's airports are definitely inadequate. Furthermore, the airports' infrastructural facilities are rather backward. China's vice premier Li Peng [2621 7720] pointed out: The air disaster which occurred in Jinan in January this year was caused by the poor weather and faulty pilotage, but more important still, by the very poor airport facilities. China's civil aiviation must be armed with modern equipment, modern technology, and modern management as soon as possible.

Some experts in this field believe that China's airports are small and poorly equipped mainly because of inadequate investment. In the past 30 and more years, the total investment in airport construction was less than 1.1 billion yuan. Furthermore, the airports were irrationally planned, since some of them are too large, causing waste of money and producing poor economic results. Examples of them are the airports in Hefei, Harbin, and Xichang. In view of the shortage of funds to meet the urgent needs, it is all the more necessary to more carefully plan airport layout. How large should the airports in the 14 open coastal cities be? How many should be built? Is it proper for so many provinces and cities to request the construction of international airports? All these questions should be carefully studied and settled by the pertinent departments.

II

In studying China's aviation transport, we may find from the following statistics the speed and potential of its development. The number of passengers carried was 910,000 in 1974, 2.19 million in 1978, 3.55 million in 1982, and 5.5 million in 1984, with an annual increase between 20 and 40 percent. Now, the tourists at home find it more and more difficult to buy air tickets.

One of the most acute problems hindering the development of China's air transport is insufficient capacity. There are too few airplanes and too many of them are obsolete. No new planes were added to the fleet on domestic routes between 1978 and 1982, and the strain on the traffic handling capacity has become increasingly serious. Most of China's present aircraft are

outdated, including the An-24s and Il-14s, made in the Soviet Union in the 1940s and 1950s, and the Tridents, manufactured in England in the 1960s. If the fleet remains unreplenished for a long time, China's aviation will certainly lag behind current developments.

Former CAAC Director Shen Tu [2088 0956] pointed out some days ago that if China wants to develop its air transport, it must resolutely do away with its obsolete aircraft and replace them with large, new modern models. Every effort should be made to basically change this situation in meeting the needs of passenger and cargo traffic.

Starting this year, CAAC will phase out 15 outdated Il-14s and overhaul the Tridents. At the same time, it plans to purchase a number of large and medium-sized aircraft, and three "air buses" will be delivered in June. There will also be Tu-154 from the Soviet Union, Boeing 747 from the United States and some small passenger planes from England. These planes will gradually arrive within this year. People in the aviation circles believe this to be CAAC's first step forward toward modernization.

The new plane will be used on the routes between Beijing, Shanghai, Guangzhou, Fuzhou, Xiamen, Chongqing, and Xi'an. To increase the daily utilization of aircraft, CAAC will add more scheduled flights so that the number of passengers this year will be 1 million more than last year.

To meet the needs of future large-scale civil aviation development, CAAC is now stepping up the training of personnel. A modern training center has been set up at Tianjin Civil Aviation School, and the students have been enrolled for the first term. CAAC has dispatched 40 attractive air stewardess who are conversant in foreign languages to Japan Airlines and Air Nippon for special vocational training. These stewardesses will begin with basic training in the way to walk, to sit, to stand and to stoop gracefully. They will also learn the way to handle emergencies, such as forced landings, hijacking, and fire. They have studied hard with fairly good results, much to the satisfaction of their Japanese tutors. CAAC now has nearly 1,000 crew members, and will continue to send some of them to Japan, Europe, and Hong Kong for special training. Before the arrival of the new aircraft, a number of crew members will be sent for training abroad so that they will be able to master the special characteristics of these planes and improve their flying skill.

For the reform of China's civil aviation, the monopoly over this industry must be broken. The localities and enterprises must be encouraged to invest in or to buy the shares civil airlines so that an aviation industry can be set up at different levels with the coexistence of the central avaiation enterprises, the local aviation enterprises and the small aviation enterprises. The reform program has already been approved by the State Council. The main features are as follows:

--To organize a China Aviation Corporation based in Beijing, mainly to take care of international flights. This corporation will be directly under the General Civl Aviation Administration.

--To organize a China Oriental Aviation Corporation, based in Shanghai, with full consideration to the needs of China's largest economic zone of Shanghai, its neighbor provinces and the coatal ports in eastern China for air transport.

--To organize a Southern China Aviation Corporation based in Guangzhou along with an overall plan for the aviation development of Shenzhen, Zhuhai, Shantou and Hainan Island, and a large-scale campaign for investment and share purchase.

--To organize a Southwestern China Aviation Corporation based in Chengdu for aviation development in Yunnan, Guizhou, and Sichuan.

--To organized a Northern China Aviation Corporation based in Dalian to handle the traffic of Heilongjiang, Jilin and Liaoning. Heilongjiang plans to set up a branch under this corporation.

--To organize a Northwest Aviation Corporation for absorbing local funds by selling stocks.

Active preparations are underway for the establishing of these corporations which will be gradually established within this year. At present, the state has already approved the establishment of the Xiamen Local Aviation Corporation and the Xinjiang Local Aviation Corporation.

Chinese airlines of various types were formed in the past 6 months, and the local airlines, military airlines and the state airlines have taken up their positions like a tripod. According to statistics, more than 30 airlines have now been formed. Before then, the State Council authorized CAAC to examine the qualifications of these airlines to make sure that they have boards of directors and managers, that their airport and navigation facilities are up to the required standards, and that their pilots, navigators, and communications personnel are duly qualified. The qualified ones were issued certificates, while the unqualified ones were ordered to suspend their operation. Hereafter, all new local airlines must apply to CAAC for approval in the interest of flight safety. Under the unified management of CAAC, they will have to compete with one another in flight safety, on-time arrival and departure and in the quality of service. The international airports and the large airports will be controlled by the state, while the remaining ones will be entrusted to the local authorities who will control the ground and air facilities separately. The planes of all airlines are permitted to use the airports on a paying basis.

The program of reform for China's civil aviation has already been determined, and its implementation is being organized. This is an important milestone in the history of Chinese civil aviation.

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BRIEFS

NEW DOMESTIC AIR ROUTES--CAAC has purchased more than 50 new airplanes from foreign countries. They will be used for established routes plus 25 new domestic routes that will open in mid-November. The major new routes are: Guangzhou-Urumqi, Guangzhou-Qingdao, Guangzhou-Changchun, Xi'an-Hangzhou-Xiamen, Xiamen-Nanjing, and Yichang-Changsha-Guangzhou. At the beginning of this year, CAAC opened 13 domestic routes and 2 international routes. The major domestic routes are: Harbin-Shenyang-Dalian, Guangzhou-Dalian, Harbin-Heihe, Guangzhou-Taiyuan, Shanghai-Lianyungang-Beijing, and Guangzhou-Lanzhou-Urumqi. The international routes are Beijing-Singapore and Beijing-Kuwait. Up to the present, China maintains 226 air routes, including 195 domestic routes, 6 routes between Hong Kong and the mainland, and 25 international routes. These routes total more than 430,000 km, including more than 218,000 km in international routes. [Text] [Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 35] 9411

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ECONOMIC AFFAIRS

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ZHEJIANG PEOPLE'S CONGRESS TO OPEN 5 MAY

OW041139 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 28 Feb 86

[Excerpts] The Fourth Session of the Sixth Zhejiang Provincial People's Congress will open in Hangzhou on 5 May this year. This decision was adopted after discussion at the 18th session of the 6th provincial People's Congress Standing Committee which concluded today. The decision also suggests that the main items on the agenda of the fourth session of the sixth provincial People's Congress be: Hear and examine the work report of the Zhejiang Provincial People's Government; hear and examine a report on Zhejiang's Seventh 5-Year Draft Plan for Economic and Social Development; examine and approve the economic and social development of Zhejiang Province in 1986; examine and approve the 1985 financial final accounts and the 1986 budget for Zhejiang Province; and hear and examine the work reports of the Standing Committee of the Zhejiang Provincial People's Congress, the Zhejiang Provincial Higher People's Court, and the Zhejiang Provincial People's Procuratorate.

Chairman Li Fengping made a speech about cracking down on serious economic crime. He urged people's congresses at all levels to exercise their authority to supervise efforts, in accordance with law, help and supervise public security and judicial organs as well auditing, customs, industrial and commercial administrative, and other departments to investigate and deal with cases of economic crime. We should have a strong determination and full confidence in carrying out the struggle against serious economic crime.

Vice Chairmen of the provincial People's Congress Standing Committee Chen Aoyu, Shang Jingcai, Li Yuhua, Wu Zhichuan, Wang Qidong, and Zhu Zuxiang were present. Vice Governor Shen Zulun attended the meeting as an observer.

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PROVINCIAL AFFAIRS

SHANGHAI CONGRESS STANDING COMMITTEE MEETS 22 FEB

OW022035 Shanghai JIEFANG RIBAO in Chinese 23 Feb 86 p 1

[Excerpts] The 20th Session of the Standing Committee of the 8th Shanghai Municipal People's Congress held yesterday decided that the 5th session of the 8th Shanghai Municipal People's Congress would be held in late April this year. At the proposal of the Standing Committee, the forthcoming session's agenda will be: hearing a report on the draft Seventh 5-Year Plan for Shanghai's National Economic and Social Development; examining and adopting the Seventh 5-Year Plan; examining and adopting Shanghai's 1986 National Economic and Social Development Plan; and examining and adopting Shanghai's 1985 final accounts and 1986 budget.

The session also discussed other relevant matters. Hu Lijiao, chairman of the Standing Committee of the Shanghai's People's Congress, presided over yesterday's meeting. Attending the meeting were Vice Chairmen Wang Jian, Pei Xianbai, Wang Tao, Liu Jingji, Wu Ruoan, Tan Jiazhen, Shu Wen, Cao Tianqin, and Zuo Zhaoji, vice mayors of Shanghai; and leading members of the Shanghai Higher People's Court, the municipal People's Procuratorate, and committees, offices and bureaus of the municipal government; and leading members of People's Congresses of various districts and counties.

The Standing Committee session yesterday also discussed matters concerning the replacement of personnel of departments concerned. It decided to appoint Ge Buzhou [5514 2975 3166] as director of the Communications Office of the Shanghai Municipal People's Government; Li Xiaohang [2621 0879 5300] as director of the Municipal Public Security Bureau; Zhao Hongyuan [6392 3163 0337] as director of the Municipal Auditing Bureau; Yuan Zhangdu [5913 1728 1653] as director of the Municipal Office of Collective Enterprises; and Zhu Jiaxi [2612 1367 3886] as director of the Municipal Water Conservancy Bureau.

The meeting yesterday decided to dismiss Wu Fuzhao [6762 4395 5128] from the office of director of the Communications Office of the Municipal People's Government; Zhang Hanzi [1728 3352 3320] from the office of director of the Municipal Public Security Bureau; Li Xiaohang from the office of director of the Municipal Office of Science, Technology, and Industry for National Defense; Zhou Bingkun [0719 2671 0981] from the Municipal Office of Collective Enterprises; and Fan Zhongyi [5400 0112 1150] from the office of director of the Municipal Water Conservancy Bureau.

The meeting also adopted the resolution accepting comrade Zhou Ke's resignation from the office of member of the Standing Committee of the Eighth Shanghai Municipal People's Congress, and requesting the fifth session of the Eighth Shanghai Municipal People's Congress to endorse the resolution retroactively. The meeting yesterday appointed Zuo Ying, vice chairman of the Standing Committee of the Shanghai Municipal People's Congress to replace Zhou Ke as concurrent chairman of the Credentials Committee and Personnel Committee of the Standing Committee of the Shanghai Municipal People's Congress.

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PROVINCIAL AFFAIRS

NEI MONGGOL HOLDS RALLY ON SENDING CADRES TO COUNTRYSIDE

SK210400 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 20 Mar 86

[Excerpts] On the afternoon of 19 March the regional CPC Committee held a rally to mobilize cadres of the organs directly under the region to go to the countryside. It urged the masses of cadres of various departments and bureaus to actively respond to the call of the regional CPC Committee to conduct investigations and study at the grassroots, to help banners and counties in implementing the guidelines of the regional conference of banner and county CPC Committee secretaries, to realize the fighting goal of doubling the economic targets, and to usher in the 40th founding anniversary of the region with outstanding achievements.

Tian Congming, deputy secretary of the regional CPC Committee, and Bai Junqing, vice chairman of the region, spoke at the mobilization rally. Comrade Tian Congming said: The major purposes of our sending cadres of our organs to the countryside at present are: 1) To send them to the forefront to attend to the implementation of policies, and promote practical work; 2) to improve the workstyles of organs, serve the work of the grassroots, forge closer ties between cadres and the masses, intensify investigations and study, and strive to make the policy decisions of our leading organs more scientific; and 3) to train cadres in practice, and cultivate a generation of new people.

Comrade Tian Congming said: The major task for sending cadres to the countryside is to inspect, supervise, support and help the grassroots in carrying out the various tasks to be fulfilled before the 40th founding anniversary of the region as set forth at the regional conference of banner and county CPC Committee secretaries through the investigations and study conducted by the cadres sent to the countryside. The general guiding ideology, as has been mentioned by the regional CPC Committee, is to sum up experiences, promote work, publicize the party's policy on nationalities affairs, and strengthen the great unity among various nationalities. To be more specific, on the premise of doubling the 1978 annual industrial and agricultural output value, it is to solve with great efforts some problems of the masses of various nationalities arising in their production and livelihood, which require urgent solution. These problems include the food and clothes supply to poverty-stricken areas, [words indistinct], water supply, prevention and treatment of endemic diseases, [words indistinct] of rural and pastoral areas, installation of telephones in Sumu, and television reception of pastoral areas.

Time is pressing, and the tasks are heavy. Success in solving these problems depends on the leadership of CPC Committees and governments at all levels, the work of functional departments at various levels, and the concerted efforts of the party, cadres, and the masses. It is also a necessary and important task to transfer a certain number of cadres from leading organs to the grassroots and [words indistinct] to help and support grassroots comrades to implement policies. In modern terms, this is called leading organs serving the grassroots. The service includes suggesting ways and means, and helping grassroots units to report to higher levels or coordinate the problems they themselves cannot solve. Therefore, party organizations of the units under regional organs should conscientiously grasp this work. Comrades sent to the grassroots should carry out their work with high responsibility. Before going to the grassroots, they should make clear what should be done prior to the 40th founding anniversary of the region. After going to the grassroots, they should ascertain local situations, study together with local CPC Committees and governments to formulate measures, and carry out their work in a down-to-earth manner.

/12712
CSO: 4006/854

ECONOMIC DEVELOPMENT ZONES

SHENZHEN REAL ESTATE REFORM EXPERIENCES DISCUSSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 3, May-Jun 85 pp 20-22

[Article by Peng Kunren [1756 2492 0088]: "Guangzhou Can Learn from the Rise of the Real Estate Industry in Shenzhen"]

[Text] Over the past 5 years, developments in the Shenzhen Special Economic Zone [SEZ] have caught our attention with their magnitude, speed and superior economic results. Given its weak foundation and meager state investments, why has the SEZ been able to obtain such spectacular achievements? An important reason is their boldness in making a clean break with the former real estate system and transforming real estate into a real industry and a major economic pillar of the zone. Their approach provides a useful lesson and experience for Guangzhou's real estate reform.

I

Since the founding of the People's Republic, we have nationalized most urban land, which various units are allowed to use at no cost, and instituted a low-rent system for houses and buildings. This real estate system made urban landed properties a burden on the state which got heavier and heavier as more houses were built, stifled real estate's own reproductive capacity, and even reduced its ability to rely on other production sectors for accumulation to put up new buildings. Over time such a supply system real estate economy became less and less suited to the demands of the development of a modern social economy and the time has come when we have no alternative but to reform it. Bowing to the objective requirements of economic development, the SEZ boldly reformed the existing real estate management system and breathed new life into the industry.

They began by freeing real estate from the supply system, turning it from a heavy burden on the state into a revenue generator and an important source of development funds for the zone.

It is estimated that today Shenzhen collects 200 to 300 million yuan in land use fees alone each year. Thus is land, a precious resource, transformed into an abundant form of capital for developing the SEZ.

Next, they liberated themselves from the tiny world of managing public buildings only and reformed real estate management departments into diversified enterprises which are oriented toward the entire industry and all of society. They deal in housing properties as well as real estate, extensively using foreign capital and domestic funds. As far as forms of operations are concerned, some buildings are put up by the zone with its own funds, some are joint ventures and cooperative enterprises involving the zone and foreign investors, and some are wholly financed by foreigners, in which case the zone collects a land use fee. In addition, there are projects built by the zone in cooperation with units from the interior.

Third, they abolished the previous housing system and took the first steps toward the commercialization of housing. Houses are sold not only to enterprises and units but also to individuals. Buyers include overseas Chinese and Hong Kong and Macao compatriots as well as workers in the municipality. This housing reform has unburdened the state, revived housing construction's own reproductive capacity, helped unleash the initiative of the state, localities, enterprises and individuals, accelerated housing development, and bridged the supply-demand gap in housing for cadres and workers. In 1983, of 257 large and medium-sized cities and industrial and mining areas, Shenzhen placed second in per capita newly built floor space, which was 4.33 sq m.

Finally, the zone broke the habit of eating from one big ricebowl and began to run real estate like an industry. Real estate enterprises became relatively independent producers and operators and developed new vitality in the process. Real estate in the zone is developed by development companies which are relatively independent real estate concerns. Self-managed and responsible for their own losses and profits, they practice independent accounting and cannot ask the state for capital. Instead they rely on land for most of their capital and use flexible business methods to develop on their own. Apart from foreign capital, they have two other major sources of capital, bank loans and advances on the sale of properties. To make full use of limited funds, they adopt such measures as "build first, sell later," "sell first, build later," "build and sell at the same time," and "snowballing" to sell houses and factory buildings. In this way, they make possible a constant capital turnover and are able to keep expanding the scale of their projects.

There are several real estate enterprises in the SEZ, some native and some from outside the municipality. Some are joint operations with the interior and represent a wide geographical cross section of the country. A booming real estate market has come into being. It is bursting with competition which, in turn, has fuelled the initiative of the enterprises and promoted economic results.

In the wake of preliminary reforms, the SEZ has invigorated the real estate industry and propelled the construction of the zone. In just a few years, Shenzhen has taken on a brand new look. The small, dilapidated frontier town of yore has become an embryonic modern city where close to a thousand modern buildings of varying heights tower aloft.

II

A crucial element in Shenzhen's restructuring of the existing urban land, housing and real estate management systems is its rejection of the supply system and its move to put real estate on the road toward commercialization.

Under commodity economic conditions, the use of land which has been improved must be paid for in accordance with the principle of compensation at equal value because the land has benefited from such inputs as labor and materials. The value of compensation, moreover, is transferred to the building erected on the land or to the products manufactured by the enterprise occupying the land. In this sense, developed land is a commodity. Of course, undeveloped public land, as a property of nature, has no value in itself and is not a commodity. But since the enterprise which uses it is a relatively independent commodity producer, it must pay a land use fee (land rent) to the state. As far as the enterprise is concerned, this piece of land amounts to a fixed asset handed over by the state to it for its use. It should include the land use fee in its commodity production costs and seek to recoup this fee through commodity exchange. In this sense, land use has already been drawn into the orbit of commercialization.

The commercialization of land use and development meets the objective requirements of commodity economic principles and exercises a positive effect on socialist economic construction. Judging by the Shenzhen SEZ's experience, this approach, first and foremost, increases state revenues and transforms such a precious resource as urban land into socialist construction funds. Second, the land use fee is a very useful economic regulatory tool. Since different sections in the municipality command greater and lesser land use fees, the state is able to recapture the extra economic benefits which accrue to an enterprise as a result of its more advantageous physical location. In the process the varied fortunes of different enterprises are made less unequal, which is conducive to the achievement of the principle, to each according to his work. Moreover, now that one has to pay for the use of land and the land use fee becomes part of an enterprise's accounts, land use directly influences its material interests. Hence the enterprise will come under external pressure and develop the internal drive to economize on land use. Finally, the commercialization of real estate helps invigorate the real estate industry and real estate enterprises. Also, as part and parcel of building costs, the land rent can regulate the supply-demand relationship in the rental housing market and the distribution of urban population.

The Shenzhen SEZ's real estate management reform has already had a good beginning. Its real estate industry, now in its ascendancy, provides us with a valuable experience. Of course, this experience came about under a special set of circumstances and is of special applicability. But its basic aspects can still be useful to Guangzhou, which is being opened to the world and in the midst of reform.

First, energetically develop the real estate market in order to make it one of Guangzhou's primary economic pillars. As South China's largest coastal city, Guangzhou has a sophisticated commodity economy and its external and domestic trade is booming. Many foreign investors and Hong Kong and Macao compatriots

have come here to do business and set up enterprises. All this provides excellent conditions for the development of its real estate industry. Guangzhou is similar to Shenzhen in that it is one of the nation's 14 opened coastal cities where an economic and technical development zone has been set up, while oil prospecting and development are going on apace in the South Sea. Moreover, Guangzhou adjoins Hong Kong and Macao and has numerous overseas Chinese, many of whom look forward to buying a house in Guangzhou and spending their last years there. Their relatives in Guangzhou have both the need and the resources to be homeowners. So the conditions are there for Guangzhou to channel part of the overseas remittance to the real estate industry. Right now it must grab the golden opportunity and, taking realities as its point of departure, formulate and perfect relevant policies and measures and vigorously open and vitalize the real estate market.

Second, actively promote the commercialization of construction. In the Shenzhen SEZ, public, educational, cultural and welfare facilities such as primary and secondary schools, nurseries, and day-care centers are built with government appropriations. All other structures--standard industrial factory buildings, shops, warehouses and residences--are built, managed, sold and rented to units or individuals like a commodity, which is what they are. Guangzhou should do likewise. In view of the fact that workers' incomes are still not high and that most workers cannot afford to pay the full commodity value of housing, the commercialization of housing can only be implemented gradually. To begin with, we may set aside for sale by private individuals a portion of the new residential housing completed each year. The units can be sold at full price or at subsidized prices. In the sale of subsidized housing, preference should be given to hardship households so as to gradually reduce the number of households with shelter problems.

The core of the commercialization of housing is reforming the low-rent system and gradually bringing housing rents in line with housing prices. The low-rent system is a disincentive to people to build and sell houses. Rents as well as prices are expressions of the value of housing as a commodity. If we base the selling price of a house on its value and still apply to it the low-rent system, its rent will be so low that it will bear little relationship to house value. In other words, a single commodity will have two drastically different prices. Under these circumstances, it is no wonder that people would rather rent than buy. Just such a problem exists in Guangzhou today. As we reform the wage system, we should consider reforming the low-rent system as well. In the course of commercializing buildings, we also help create a real estate industry and tap a new source of revenue for municipal construction.

Third, commercialize the development and use of land and let housing commercialization stimulate land commercialization.

Since state enterprises in Guangzhou are currently implementing phase two of the reform to replace profits with taxes, definite difficulties will arise if we impose the land use fee across the board. But we can begin phasing in the land use fee system in qualified areas or units, such as the economic development area, other newly developed areas, enterprises financed with foreign capital or operated jointly with the interior. In determining the

forms the land use fee should take, we may take a leaf from Shenzhen's book: (1) Lease the land to the foreign investor and directly collect from him a land use fee. (2) In the case of a joint venture, the Chinese partner uses the land value as part of his investment and draws a land use fee from the profits. (3) In a cooperative enterprise, we provide land while the foreign investor provides capital. Net profits will be split in accordance with a formula in the agreement. (4) When a Chinese real estate company uses its own money to put up a building, it should take the land use fee into account when calculating selling prices. To make the above methods workable, we must lay down and perfect regulations concerning land use duration, land use fee standards, payment methods, and other matters. They should be written into law to guide our actions.

As for land which has been developed, and hence appreciates in value, as a result of investment by development companies, such as land benefiting from the seven kinds of infrastructural improvements (road construction, water, electricity, telecommunications, gas, floodwater drainage, sewage drainage) and land levelling, a land improvement fee should be imposed on the land user.

It can be foreseen that as soon as the real estate industry in Guangzhou is commercialized, it will generate a handsome amount of revenue for the state. Guangzhou's real estate industry will develop into an independent industry, join the larger system of the entire social commodity economy, and become one of Guangzhou's economic pillars.

Fourth, put enterprises in charge of real estate development and strengthen their vitality. First, we must demand that government, institutions and enterprises be separated so that real estate enterprises truly become relatively independent commodity producers and managers. If we are to treat real estate as a commodity, real estate enterprises must observe the law of value for the sake of sound management. Consequently they have to be equipped with managerial autonomy and decision-making power. No longer can they remain passively at the beck and call of higher administrative authorities. Instead they must be dynamic commodity producers and managers. Already there is a host of real estate development companies in Guangzhou practicing independent accounting and responsible for their own profits and losses, which are stimulating the development of the real estate industry. They have been particularly active in taking advantage of the open door policy to go into partnership with foreign businessmen. In some real estate development companies, however, governmental and entrepreneurial affairs are still merged. As urban reforms become more thoroughgoing, it is better that we separate politics from enterprises, conditions permitting.

To put an end to the state monopoly over the real estate industry, we must permit the existence and flourishing of a variety of economic forms and managerial approaches. Under the unified planning, management, guidance and supervision of the urban construction department and housing management department, we should practice managerial pluralism to accommodate state enterprises as well as collective enterprises, Chinese-foreign joint ventures, as well as cooperative enterprises, and permit individual operators to undertake such projects as house repair and decoration. Only when the state, collectives and individuals prosper together, each doing what it is good at,

can the industry blossom. Also, real estate enterprises must deliver themselves from their own little world of public building management and orient themselves to the entire society. They must diversify, engage in social management, and go in for whatever fills a social need and has a market, from housing construction, renovation, and land development to design, decoration, producing and supplying building materials and providing citizens' daily services.

We must allow and guarantee competition. Since we admit real estate into the company of commodities and allow the coexistence of multiple economic forms and managerial methods, competition becomes inevitable, and once there is competition, there will be comparison to winnow out the inferior. This external pressure will stimulate an enterprise's internal dynamism and fully exploit its internal potential to react sensitively to market information and increase economic results. At present there are more than 10 real estate companies in Guangzhou where one used to reign. We should consider allowing out-of-town localities and peasants to come here and take part in developing and competing in Guangzhou's real estate. Under unified planning, guidance and management, we should introduce a bidding system for everything from land development and architectural design to building construction. The bidding system will help attract more external funds, technology, building materials and labor into the municipality and bring about a prosperous real estate market in Guangzhou.

We must activate capital turnover in the real estate industry. Toward that end, we must raise funds from a variety of channels and make a special effort to learn Shenzhen's "snowballing" technique to speed up capital turnover and improve the effectiveness with which capital is used. We must fully exploit the positive role banks play in developing Guangzhou's real estate industry. Besides extending loans, they should raise capital in a variety of ways, such as offering homeownership savings accounts and housing mortgage, issuing "housing construction securities" and so on, in order to support and promote the development of the real estate industry.

12581
CSO: 4006/146

ECONOMIC DEVELOPMENT ZONES

BRIEFS

LIGHT INDUSTRIAL PRODUCTS FAIR--The Guangdong Provincial Second Light Industrial Products Spring Fair successfully concluded in the Guangzhou Foreign Trade Center this afternoon. The total volume of business reached 161.3 million yuan. The fair overfulfilled sales quota by 51.3 million yuan. At this fair, many transactions were concluded for domestic electric appliances, including refrigerators, fans, rice-cookers, and twin-tub washing machines, and this constituted the largest category of goods sold. Small metal products, aluminum products, articles for cultural and sports use, musical instruments, and plastic products, were also very marketable and could not meet the demand. The number of transactions in garments, furniture, and leather goods was reduced and the amount of sales dropped. At the fair, children's toys of numerous varieties, which were colorful and whose workmanship was good, pleased the onlookers. Some 2,000 varieties of major categories were on display. The number produced of two categories of toy--educational and the battery-operated type--have constantly increased. The volume of business in toys exceeded 1 million yuan. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Mar 86 HK] /8918

CSO: 4006/851

FINANCE AND BANKING

DEPOSITORS PERMITTED TO WITHDRAW FOREIGN CURRENCY

Hong Kong WEN WEI PO in Chinese 20 Nov 85 p 3

[Article: "Withdrawal of Foreign Currency from Foreign Currency Deposits Now Allowed; Capital and Interest in Foreign Currency Accounts Can Be Withdrawn Outside the Country; Depositors or Their Relatives Outside the Country Can Draw Foreign Exchange"]

[Text] From the 12th of this month the Bank of China [BOC] will implement new regulations for foreign currency deposits of domestic residents permitting the withdrawal of foreign currency.

In July of last year BOC began to handle foreign currency deposits by domestic residents, but foreign currency could not be freely withdrawn. After the provinces and municipalities of Guangdong, Fujian, Shanghai, and Beijing tried permitting the withdrawal of foreign currency in March of this year, the number of deposit accounts and the quantity of funds doubled and redoubled. In June of this year permission to withdraw foreign currency was extended to 10 cities, including Dalian and Tianjin. According to incomplete statistics, at the end of this October over 100,000 deposit accounts had been opened, and many of these had over HK$10,000 in them.

Under the newly issued procedures and regulations for domestic residents' foreign currency deposits, any freely convertable foreign currency remitted from abroad, carried in, or held by domestic residents can be deposited in foreign exchange accounts; any freely convertable cash foreign currency carried in from abroad or held by domestic residents can be deposited in cash foreign currency accounts. Domestic residents' foreign currency deposits are time deposits, and deposit periods are divided into four types: 3 months, 6 months, 1 year, and 2 years. In case of special needs, early withdrawals can be permitted by the bank of deposit. Currencies of deposit are limited to the dollar, the pound, the mark, the yen, and the Hong Kong dollar. Other freely convertable currencies will be converted into one of the above five currencies and accepted for deposit on the basis of the market value quoted on the day of deposit.

The new regulations stipulate that the principal and interest of foreign exchange accounts can be remitted abroad and can be drawn on for reasonable amounts of foreign cash currency; foreign currency cash accounts' principal

and interest can be withdrawn in cash, but remittances abroad must receive the approval of the BOC or foreign currency administrative departments depending upon the size of the funds. Depositors or their close relatives going abroad may withdraw foreign currency in cash from deposit accounts according to regulations, and based upon travel documentation the bank of deposit will give proof that the foreign currency is going abroad.

12615
CSO: 4006/461

FINANCE AND BANKING

EFFECT OF CHINA'S ENTRY TO ASIAN DEVELOPMENT BANK

Hong Kong WEN WEI PO in Chinese 4 Dec 85 p 2

[Editorial: "Effect of China's Entry to Asian Development Bank"]

[Text] The restoration of China's membership in the Asian Development Bank [ADB] after a delay of more than 2 years was finalized at a meeting in which the People's Republic of China became the sole legal government representing China while Taiwan remains in the ADB under the formula "China Taibei."

This is the result of a policy adjustment regarding the ABD problem by authorities in Washington. The United States has always said that China can enter the ADB, but the name and seat of the "Republic of China" cannot change, otherwise the ADB would not receive future American financial assistance. Under these circumstances, how could China forsake principle?

China is a great Asian power and a member of the United Nations. The ADB is an organization promoting and aiding economic cooperation in the Asian Pacific region in many ways, but without the inclusion of China's population of 1 billion the ADB would not be able to completely fulfill its role in the international structure. The majority of member countries all welcome China's entry, thus strengthening economic cooperation in the Asian Pacific region.

According to Article 3 of the ADB Charter signed by all member countries on 4 December 1965, the qualifications for membership in the ADB are: (1) member of the United Nations' Economic and Social Commission for East Asia and the Pacific; (2) member country in the U.N. General Assembly or any of its specialized agencies. These regulations show that China's entry to the ADB is perfectly justified. Taiwan is only a province of China, and should not occupy China's seat, but may only remain within this organization as "China Taibei." The United States has nevertheless consistently supported Taiwan remaining in the ADB as the "Republic of China," and China could not accept this situation of "two Chinas," so it did not formally apply for membership.

Recently, China's resolution of the problem of Hong Kong's return to the motherland under the "one country-two systems" formula has produced far-reaching international effects. Knowledgable Americans have begun to look into and consider the feasibilty of this kind of formula for the unification of the Chinese people. The development of a Reagan administration adapting to

the situation, the beginnings of a realistic policy to encourage Taiwan not to be isolated from international society, and under the name of China Taibei, to stay in the ADB along with China so that there may be dialogue and exchanges, all stem from a calculation of American interests.

Some people say that Taiwan's continuance in the ADB is like the Olympic Games' formula, but the ADB formula has some differences.

ADB members are governments, thus the council is attended by official representatives. The Olymic Committee is a peoples' organization, and in essence the two are different in this respect. Hereafter, mainland and Taiwanese officials will have a channel to discuss Asian economic cooperation problems within the ADB. This may lead to a shared dialogue and a reduction of animosity. Taiwan may not be willing to recognize the situation of dialogue between officials from both sides. Thus for the past few days Taiwanese officials exhibited great opposition to the ADB formula, claiming that Taiwan's "membership rights" have been "injured".

Taiwan may be considering "withdrawal." But from the standpoint of the Chinese people, we hope that Taiwan takes heart, faces reality, actively participates in international economic bodies, and does not isolate itself. Facts will prove that to stay in the same organization with the mainland, to initiate cooperation, coexist peacefully, deepen understanding, avoid a resort to arms, and to turn hostility into auspicious peace, will benefit Taiwan's economic development and promote economic contacts between China and Taiwan. Staying in the ADB yields good, and no harm.

Some people mistakenly believe that the mainland plans to cut off and isolate Taiwan, and will not let Taiwan remain in international society. This is a serious misunderstanding. The ADB formula really expresses Beijing's sincerity in encouraging Taiwan's participation in international activities. Beijing does not wish to cut off Taiwan's foreign economic, cultural, or educational exchanges. Excessive doubts and fears are unnecessary. Beijing's objective is "one country-two systems" and unification with the motherland, not one China and one Taiwan, or two Chinas. As for different social systems, Beijing does not demand uniformity but desires peaceful coexistence, and what better method than this is there to eliminate antagonism between the two sides?

12615
CSO: 4006/461

MINERAL RESOURCES

BRIEFS

GOLD OUTPUT--Beijing, 20 Mar (XINHUA)--China now has 20 counties producing each more than 10,000 liang of gold a year. These counties are located in Shandong, Henan, Hebei, Nei Monggol, Heilongjiang, Shaanxi, Jilin, and Yunnan. Zhaoyuan county in Shandong and Lingbao county in Henan produced respectively 100,000 and 55,000 liang of gold in 1985, ranking first and second in the nation. It is learned that China's gold output increased steadily during the Sixth 5-Year Plan, with output in 1985 topping 1980 by 63 percent, representing an average annual increase of 10 percent. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1347 GMT 20 Mar 86 OW] /8918

CSO: 4006/851

INDUSTRY

TECHNOLOGICAL TRANSFORMATION OF SUZHOU SILK INDUSTRY REPORTED

Beijing RENMIN RIBAO in Chinese 6 Dec 85 p 2

[Text] The technological transformation of the entire silk industry has brought exuberant vitality to the silk industry of Suzhou, which is known as the "silk capital." In the first 9 months of this year silk fabric output in Suzhou totaled 154 million meters, with over 200 varieties and over 2,000 designs and colors--number one in the nation. The export of silk and satins totaled more than 43 million meters, 9.11 percent more than the same period last year and six-fold higher than the average growth rate of the preceding 6 years. The silk industry has become the model of technological transformation of Suzhou's industries and is in the lead of the technological transformation among its nationwide counterparts.

Since 1979 a "coordinated process" in technological transformation of Suzhou's silk industry, characterized by consolidation of key links and establishment of complementary facilities, has profoundly changed the features of the entire silk industry. More than 700 sets of equipment with international advanced technology have played an important role in key positions in silk production. The entire silk industry has begun to institute mechanization, continity, and automation.

The technological transformation of the industry has significantly increased the production capacity of Suzhou's silk industry, improved economic benefits considerably, and enhanced the capability of export for foreign exchange and market adaptability. The finishing of printing and dyeing used to be a weak link in the entire silk industry. Through technological transformation and equipment updating, production capacity has grown by more than one-third. The proportion of high and medium-grade products throughout the industry has increased considerably. The major varieties of silk and satins have been transformed from synthetic silk and cotton into real silk and real silk fabrics; the major varieties of real silk have been transformed from electric plain-weave and grainy silk fabrics into crepe-spinning jacquard weave fabrics. According to statistics for the 6 years from 1979 to 1984, the funds used in the technological transformation of the urban silk industry totaled 80 million yuan, but the profits and taxes delivered to the state came to more than 440 million yuan, 6.5 times the total capital investment. The profits created from every 100 yuan of fixed assets more than doubled. The production of chemical fiber attained an even higher level. Last year, not only did the

output of polyester long fiber increase five-fold compared with 1979, but new raw materials of chemical fiber, characterized respectively as special silk, compound silk, network silk, modified silk and color-spinning silk, were produced. The varieties of synthetic silk fabrics have been considerably increased. Over the past 6 years, the gross output value of Suzhou's silk industry has increased at an annual rate of 11.4 percent and the profits have increased at an annual rate of 15.1 percent.

The international silk market has generally been depressed this year, but Suzhou's silk and satins have sold well in more than 100 countries and regions. Sales have increased by a wide margin compared with the same period last year, with more than $75 million in foreign exchange receipts.

9335
CSO: 4006/400

INDUSTRY

SHANXI RADIO URGES 'MADE IN CHINA' PATH IN TECHNOLOGY IMPORTS

HK210301 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 20 Mar 86

[Station commentary: "We Should Follow the 'Made in China' Path in Importing Technology"]

[Excerpts] The 16 cubic meter excavator produced by the Taiyuan heavy machinery plant through importing technology from and cooperating with the U.S. Harnischfeger Corp. and the 200-ton caterpillar crane produced through importing technology from and cooperating with the West German Demag Corp. have successfully passed their acceptance tests.

Since instituting the policy of enlivening the domestic economy and opening up to the world, the industry, communications, and finance and trade enterprises in Shanxi have imported a good deal of advanced technology and equipment from abroad. This has played a positive role in improving the production capacity of these enterprises and progressing toward advanced world levels. However, the question of how to import and digest advanced foreign technology and reach the stage when our products are made in China represents a major task. Some units only import equipment without importing technology. In other words, they only import the eggs without the chicken. In the end they have to depend on others forever. Some units import technology that does not accord with their actual conditions, and fail to pay attention to absorption and digestion. The result is that they cannot make their products themselves. These two trends should be avoided.

The Taiyuan heavy machinery plant made economic calculations in importing technology in connection with the state of the nation and of the plant itself. It took aim at advanced world standards and worked hard at accepting and digesting the technology. It has persistently followed the path of importing, digesting, developing, and creating, and has speeded up the process of having its products made in China. The plant itself made 34 percent of the parts for the excavator and 78 percent of the parts for the crane.

Importing advanced world technology and speeding up the process of having our products made in China is a relatively good way of developing our machine-building industry and catching up with advanced world standards. We hope that the industry, communications, and finance and trade enterprises throughout the province will make great efforts in this respect. We also hope that the Taiyuan heavy machinery plant will take new strides along the road of importing technology and striving to have its products made in China.

/9365
CSO: 4006/859

INDUSTRY

SHANXI PLANT PRODUCES HEAVY CONSTRUCTION EQUIPMENT

HK210257 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 20 Mar 86

[Excerpts] China's first large 16 cubic meter excavator and a 200-ton caterpillar crane have been successfully completed at the Taiyuan heavy machinery plant. On 20 March, the office of the State Council's Major Technology and Equipment Leadership Group organized the departments concerned to hold an acceptance ceremony at the plant.

This plant produced the excavator in cooperation with the U.S. Harnischfeger Corp. and the crane in cooperation with the West German Demag Corporation. The technology was imported from these two corporations. Experiments and appraisals have shown that the quality of the products fully meets U.S. and West German standards.

Development of the 16 cubic meter excavator was organized by the State Council's Major Technology and Equipment Leadership Group. It is a key item of equipment for use at opencast mines, and is of advanced international standards of the early 1980's. It is suitable for use at opencast coal, iron ore, and metal mines producing tens of millions of tons a year. It can handle 12.2 million cubic meters of ore a year, equivalent to the work of 40,000 workers.

The 200-ton caterpillar crane has a maximum height of 120 meters [words indistinct]. It is flexible in application and suitable for use at large construction projects, and at large chemical, metallurgical, and electric power plants; it can be used for moving large items of machinery and for construction work at a great height. Some 78 percent of the parts of this crane are made in China. The machine is thus basically China-made.

The successful manufacture of these two products will play an important role in speeding up the development of China's mining and improving installation work at great heights.

The acceptance ceremony was attended by Lin Zongtang, deputy leader of the State Council's Major Technology and Equipment Leadership Group and vice minister of the State Economics Commission; He Guangyuan, vice minister of the Ministry of Machine-Building Industry; Yan Wuhong, vice governor of Shanxi; (Yang Hongchun), mayor of Taiyuan; and leaders of provincial and city departments concerned.

/9365
CSO: 4006/859

INDUSTRY

DEVELOPMENT OF SICHUAN BUILDING MATERIALS INDUSTRY REPORTED

Beijing ZHONGGUO JIANCAI [CHINA BUILDING MATERIALS] in Chinese No 11, 13 Nov 85 p 22

[Report by Yan Qinglan [3601 1987 1526], Director of the Sichuan Provincial Bureau Building Materials Industry: "Implement the Policy of Letting Everyone Do Something About Building Materials and Accelerate the Development of Sichuan's Building Materials Industry"]

[Text] Since liberation, our provincial building materials industry has developed rapidly. Output value in 1984 was 1.48 billion yuan, 300 times more than that of 1950. The output of cement and standard brick increased 412 and 400 times respectively compared with 1950. The output of other products also increased by a relatively wide margin. However, the supply of these products still fell short of demand. Therefore, a major topic in our province's national economic development is to implement the policy of letting everyone do something about building materials and accelerate the development of the building materials industry. In view of hte variety of Sichuan's industries, letting everyone do something about building materials embodies great potential and bright prospects. A study recently shows that we can adopt the following means in letting everyone do something about building materials:

1. Introducing Funds from Other Industries To Develop the Building Materials Industry: The Panzhihua Iron and Steel Company is one of the nation's key enterprises. The corporation has decided to invest 25 to 30 million yuan in the Dukou Cement Factory to set up another production line. The provincial communications department has decided to appropriate 10 million yuan for the building materials departments for the development of cement. The provincial department of ordnance industry has agreed to provide a portion of the funds for rebuilding the Chongqing Cement Factory. According to incomplete statistics, the initial designated funds totaled roughly 200 million yuan.

2. Running Building Materials Factories Jointly with Other Trades and Undertakings: The Southwest Aluminium Processing Factory plans to cooperate with the Chongqing Municipal Bureau of Building Materials Industry in producing aluminium alloy doors and windows. The Dukou Longdong Coal Mine and the Dukou Cement Factory have jointly established a cement factory with an annual production capacity of 75,000 tons of cement. The state-owned No 812 Factory has invested 7 million yuan in a joint venture with the Baoxing County

Mineral Products Company to establish the "Jianxin Stone Materials Company" to exploit and process marble.

3. Supporting Other Industries To Establish Building Materials Enterprises: The Second Provincial Light Industrial Department plans to construct, in the Seventh 5-Year Plan period, a pottery and porcelain factory with an annual production capacity of 500,000 ceramic sanitary items and 300,000 to 400,000 square meters of ceramic tiles, a workshop with an annual production capacity of 1,000 to 2,000 tons of plastic pipes and parts, a workshop with an annual production capacity of 800,000 square meters of plastic doors and windows, and another workshop with an annual production capacity of 1,000 tons of formed materials and aluminium alloy doors and windows. The Provincial Labor Reform Bureau plans to emphasize the development of cement and marble during the Seventh 5-Year Plan period. The Provincial Bureau of Township and Town Enterprises plans to increase by 1990 the output value of building materials of the township and town enterprises 2.18-fold more than 1984. Cement output will reach 3.75 million tons, brick output will reach 16 billion, and marble slab output will total 520,000 square meters.

4. Relying on Other Industries To Develop New Varieties of Building Materials: The Provincial Chemical Industry Office and the Second Provincial Light Industry Office plan to actively develop paints and construction plastics. The Provincial Light Industry Office is vigorously developing fiberboard. The Provincial Metallurgical Industry Office and the Provincial Machine Building Office are vigorously developing aluminium-alloy doors and windows. A number of prefectures and cities also have similar plans. For example, the Chongqing municipal chemical industrial system plans to import facilities with an annual production capacity of 1,000 tons to produce polyvinyl chloride plastic doors and windows.

5. Comprehensively Using Industrial Waste Residues To Produce Building Materials: The Provincial Coal Industry Bureau plans to build a gangue brick factory with an annual production capacity of 12 million pieces of brick separately at the Baozhusi Coal Mine and in the Junlian Coal Mine. The East Sichuan Electric Power Bureau has agreed to invest in production of building materials using fine coal ashes. The Zhongliangshan Coal Mine decided to produce gangue brick, cement, and prefabricated components using waste residues.

6. Providing Technical Services: The township and town enterprises and the second light industrial system strongly desire the building materials departments to provide information and technical services. The Provincial Defense Industry Office, the Electronics Industry Office, and the Machine Building Office are willing to shoulder the task of digesting and assimilating imported equipment, providing computational technology, and providing technical equipment for the development of building materials.

7. Undertaking Key Scientific Research: For example, the No 5 Institute of the Ministry of Ordnance Industry is willing to cooperate with Sichuan to develop the explosives technology for slicing marble and so on.

8. Cooperating in Organzing Export of Labor Services: By 10 July 1984, 886 workers from our provincial building materials system have gone to work in Iraq. Of these, 53 are from other trades and undertakings, and are primarily technical personnel and workers on instrument and automation control.

In a word, letting everyone do something about building materials has been a rich and diverse experience. We can see from the above that the implementation of the policy of letting everyone do something about building materials is not an expedient measure, but rather is one with a bright future. We must unremittingly implement this policy and probe the issues which are represented in the course of practice, particularly those issues which are tantamount to policy. This way, we will definitely be able to render greater contributions to accelerating the development of Sichuan's building materials industry.

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CSO: 4006/400

INDUSTRY

BRIEFS

HORIZONTAL CASTING MACHINE--Hefei, 27 Feb (XINHUA)--China's first double flow type, tubular horizontal casting machine was successfully developed by Anshan Iron and Steel Co. and recently passed approval by the Ministry of Metallurgical Industry. The casting machine was one of the key technological projects during the Sixth 5-Year Plan. It has the characteristics of low production cost, occupies little space, and yields good results. [Summary] [Beijing XINHUA Domestic Service in Chinese 0018 GMT 27 Feb 86 OW] /9365

SHAANXI KEY PRODUCTS--The focal point in Shaanxi's industrial production this year is to grasp the production of 24 products that sell well, have increased output potentials, and have good development prospects. Among light and textile industry products, these include cigarettes, white wine, sewing machines, wristwatches, plastic goods, clothing, and chemical fibers. Among electronic products, they include color kinescopes, color television sets, and air conditioners. Among machine industry products, they include automobiles, motorcycles, civil aircraft, washing machines, cameras, power transmission equipment, airflow spinning machines, and elevators. To ensure the production of these key products, the provincial authorities have demanded that the prefectures and cities and the departments and bureaus concerned take steps to make priority arrangements for the supply of the necessary raw materials. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 19 Mar 86] /9365

CSO: 4006/859

SMALL-SCALE ENTERPRISES

ARTICLE URGES RURAL ENTERPRISES TO RAISE QUALITY

OW261205 Beijing XINHUA in English 1042 GMT 26 Feb 86

[Text] Beijing, 26 February (XINHUA)--For the numerous rural enterprises in China that have sprung up with the rural reforms, 1986 will be a year of consolidation, said Zhang Yi, deputy director of rural industry of the Ministry of Agriculture, Animal Husbandry and Fisheries.

In an article in today's ECONOMIC DAILY, he said that the task of these enterprises for this year was to improve product quality, economic efficiency and upgrade technology.

The speed of development should be steadied after 2 years of hectic growth and work is needed to improve management and the rules and regulations to check the trend of expanding personal gains at the expense of the collectives, he said.

The enterprises produced 230 billion yuan worth of goods in 1985, compared with 72 billion yuan in 1980. They cover industry commerce, construction and service trades. With a total employment of more than 60 million workers, they turned out 3,200 products in 1985.

The booming rural enterprises have opened a new way of urbanization in China's countryside. All the workers have left their land but not their homes.

The outstanding problem for these enterprises at present, the ministry official siad, is inferior quality of products and workers.

He said that a rural worker training system and quality control network will be set up this year. Factory directors, accountants and technicians will have to go through retraining courses.

To solve raw materials problem, he said, rural enterprises in different regions should strengthen their cooperation. The businesses in western China, which is rich in natural resources, should provide raw materials to those in the east.

He urged rural enterprises to put more products for exports and opened up more international markets with goods of superior quality.

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CSO: 4020/242

SMALL-SCALE ENTERPRISES

PROBLEMS IN PRODUCT QUALITY DISCUSSED

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 15 Jan 86 p 3

[Article by Bureau of Agriculture, State Economic Commission: "Shift Focus of Work to Product Quality; Report on Product-Quality Inspection in Jiangsu and Shandong Township and Town Enterprises"]

[Text] Our bureau formed two inspection teams to look at quality control of products in township and town enterprises. Between the end of August and mid-September 1985 they carried out inspections in Jiangsu and Shandong. They focused on 29 enterprises in different fields in Yangzhou and Suzhou, Jiangsu and in Yantai, Shandong. They held separate discussions between the enterprises and concerned township, county, municipal and provincial departments.

Below are explanations of the various problems.

I. The Present Status and Problems of Township and Town Enterprises Concerning Product Quality

Township and town enterprises in Jiangsu and Shandong were established early and developed rapidly, particulary in Jiangsu. Along with the rapid growth of township and town enterprises, not only did product quantity and variety greatly increase, product quality also constantly improved. This can chiefly be seen in the following.

1. Several advanced enterprises with relatively high control standards and good product quality have sprung up in various areas. Last May, the Bureau of Standards in Jiangsu and other units inspected 29 products in 34 enterprises. The quality of 26 had been steadily improving and 2 had already won the title of top-quality product in the province. Over the past few years 16 products in Yantai became superior products in the province, 8 became superior products in the ministry and 2 became superior national products. Of the 29 enterprises we looked at, there were quite a few that could be considered the "cream of the crop." The microwave acupuncture and moxibustion instrument manufactured by the Jiangdu County Radio Plant in Yangzhou was created by China. In 1983, it won our commission's new product gold medal and the top-quality award of the Ministry of Electronic Industries. In 1984, it again won a gold award at the Plovdiv International Fair in

Bulgaria. The electric light socket and plug outlet manufactured by the Bakelite Electrical Equipment Plant in Tangqiao Township, Shazhou County, Suzhou earned the reputation of being "exempt from inspection" at more than 20 purchasing stations throughout the county. In 1982 the Plug Pump Plant in Rongcheng County, Shandong began manufacturing the Taishan No 12 tractor hydraulic hoist which uses a plug pump. In 1982 and 1983, it was rated as a top-grade product during the provincial inspection and in 1984 it won the province's superior product award. Although there are only a few enterprises such as these at present, they nevertheless represent the trend of development in product quality in township and town enterprises. Their experiences have far-reaching significance.

2. Most enterprise products satisfy the needs of the market. Both production and marketing are thriving. According to statistics in Suzhou, in the first half of last year, of 130 principal products in township and town industries, the output of 33 products more than doubled over 1984, however, the supply of many products cannot meet the demand. Similar circumstances exist in Yantai.

3. Economic departments at all levels have begun to emphasize product quality in township and town enterprises. In 1984 the Township and Town Enterprise Bureau in Yangzhou and concerned departments began to focus on work in product standardization in township and town enterprises. The ratio of standardized products out of over 1,000 products with an annual output value of over 300,000 yuan increased from 45 to 80 percent. A fine foundation was layed for ensuring product quality. In Suzhou, product quality became the key task last year. It was proposed that it is necessary to correctly handle relationships between speed and results, extensive and intensive aspects, competition and creativity, and to stress results, technology, and quality. After becoming aware of this, many responsible comrades in authorized county and township departments began to emphasize product quality and made product quality a key task. Each and every firm and business also actively served township and town enterprises and obtained fine results.

However, according to the conditions reported by these two provinces, numerous problems exist in product quality in township and town enterprises, some of which are quite severe. The principal problems are:

1. In many enterprises awareness of quality is quite poor. Emphasis is given to output and profits, not to quality and results. There are either no standards in product manufacturing or work is not done acording to standards. Product quality is not stable. Of 16 products in Wuxi selected by the Bureau of Standards in Jiangsu only 7, or 44 percent, were up to standard. According to their analysis, the proportion of products up to standard throughout the province is estimated at approximately 50 percent. In Yantai, Shandong 1,402 products from 990 enterprises were examined and 67.2 percent were up to standard. Problems in product quality in some firms, particularly food enterprises, are even more serious. Of 162 products in 140 enterprises throughout the province, 45 percent were up to standard.

2. Fair numbers of enterprises lack even the most basic quality guarantees, they do not have the capacity to manufacture products that are up to standard. According to statistics in Jiangsu, at present over 50 percent of industrial products in townships and towns are substandard. Most enterprises are "imperfect in four areas," that is, in blueprints, standards, technology, and structure, so it is very difficult to guarantee quality. In Shandong 2,078 enterprises were investigated. Of these, 361, or 17.4 percent, lacked blueprints and technology; 252, or 12.1 percent, lacked an inspection system; and 503, or 24.7 percent, has unsound examination and measuring methods.

3. In a few enterprises, legal concepts were vague and little attention was paid to professional ethics. They used inferior material and did shoddy work, manufactured goods in a rough and slipshod way and even palmed off inferior good as being brand name products. According to statistics in Yantai, since last year 870 bicycles, 725 cartons of cigarettes, and 46,000 bottles of alcohol and beverages, all with fake name brands, were found in Yantai from other part of the country. Circumstances such as these have been discovered in quality inspections throughout the country.

4. Below the village level (including cooperative enterprise, joint households and individual enterprises) there is basically no one in charge of product quality. The situation is unsettled and there are numerous problems.

The above-mentioned circumstances illustrate two problems. One is that the problem of product quality in township and town enterprises is quite striking. The problems must be brought under control. Thus, it is necessary to lose no time in focusing work of product quality. This is essential. The second problem is that the experiences of a few advanced enterprises show that even though township and town enterprises "suffer from inherent shortages," have short histories and weak foundations, as long as ideology is correct, leadership is taken seriously, and work is sound, product quality may be improved after a few years of effort.

II. Guiding Ideology in Quality Control

Striving to develop township and town enterprises and proceeding along the path of Chinese-style industrialization are the policies set down by the Central Committee and a necessity for establishing socialism. Thus, it is necessary to have strategic foresight in the development of township and town enterprises and to focus on the vigorous development of the overall rural economy, on proceeding along the new path of Chinese-style industrialization and on finding employment for a surplus labor force of hundreds of millions. Proceeding from this general concept, comrades from all over believe that it is necessary to uphold the guidelines proposed by the State Economic Commission for control of product quality: "It is essential to implement the principle of relaxing policies, rejuvenating the economy, and supporting industrial development in townships and towns while earnestly strengthening control and ensuring the continuing improvement in the quality of products in townships and towns so that rural industries have even greater vitality." Control must be based on assistance and aid and it must lead to healthy development. The absence of control does not work nor does

excessive control. Consequently, we must emphasize the unity of township and town industry and state-run industry, have "equality for all" in quality, uphold standards, and have strict requirements. At the same time, we must keep in mind the various differences between township and town industry and state-run industry and require that they proceed from reality, seek truth from facts, and gradually achieve control. We believe that clarifying and stressing this way of thinking is advantageous to the sound development of township and town enterprises and to the overall state of the national economy.

III. The Supply of Raw Materials

This is the severest problem reported, it is also one of the three difficulties in assuring product quality in township and town enterprises. Comrades in Yangzhou report that township and town enterprises belong to the "chicken" family. They eat "food from wherever they can get it" and many are left over from the "previous term of service." If raw materials are not up to standard how can product quality be assured? We believe there are three methods for resolving this contradiction. One is that enterprises must strengthen quality checks and carry out strict inspections of incoming materials. Substitutes may be used only under the premise of not affecting the intrinsic quality of the products. Raw materials which even after treatment still affect the intrinsic quality of the product may not be used. The second is for the state to run a material-exchange center which would provide a proper place for township and town enterprises to purchase raw materials. The third is to set a "precedent" as far as state planned supplies are concerned. The raw materials needed for manufacturing products having to do with personal safety, for superior national, provincial, and ministry products, and for products exported by township and town enterprises that bring in foreign exchange must be handled in the same manner as in state-run enterprises. They must be brought into line with state plan for material supplies. There must be a fixed place for supplies and special materials are to be used for special purposes.

IV. Technological Advancement

The quality of enterprise technology is inferior. This is a difficult problem to solve. The general state of township and town industries throughout the country is as follows: less than 20 percent of the equipment was made in the 1970's and 1980's; over 60 percent was made in the 1950's and 1960's; and about 20 percent is basically primitive hand-operated equipment. If this problem is not solved, guaranteeing product quality will become hollow words. Thus we are stressing the following: the integration of work in quality control and technological transformation as well as making an effort to improve the level of technology in enterprises; gradually increasing the rate of depreciation and accelerating the renewal of equipment; and equipping enterprises with the appropriate imported technology. At the same time, the state should provide appropriate assistance in the form of finance and credit for technological transformation in township and town enterprises.

Skilled technicians are scarce. This, too, is a major problem facing township and town enterprises. According to statistics in Yangzhou, technicians constitute .07 percent of the total number of staff and workers. In Shandong they constitute .031 percent. We recommend the following: 1) Enterprises should be encouraged to employ various means to bring in talented personnel. Suzhou selected scientific and technical staff in authorized departments above the county level who were put to work in enterprises. This proved to be an effective method. 2) It should be required that authorized departments in township and town enterprises actively focus on work in training and in qualified areas run several vocational secondary schools and technical secondary schools. 3) Within the next 2 or 3 years the state should allocate an appropriate number of college graduates and graduates of technical secondary schools to work in control departments in township and town enterprises.

V. Control Offices

This is the third difficult problem. Comrades in the two provinces report that work in product quality in township and town enterprises was in the past not a matter of concern but is not a matter that concerns everyone. (The bureau in charge, the State Economic Commission and the departments of standards and measurements are all paying special attention.) We recommend that in principle there should be a division of labor among the departments in charge and departments under the management of businesses in work related to standardization, product evaluation, quality supervision, and the establishment of offices. It is necessary to make clear that authorized departments in townships and town enterprises must establish special offices to assign professional personnel and to stress work in product quality. The goal is both to exert strict control and to provide positive support so as to prevent the two trends of lax control or excessive controls and checks.

VI. The Implementation of the "Five Prohibitions"

Many comrades from all over report that the requirements of the "five prohibitions" proposed by the State Economic Commission are too severe. At present the great majority of township and town enterprises find it difficult to implement them. We believe that the "five prohibitions" are absolutely necessary for assuring product quality. The basic spirit of the "five prohibitions" is suitable for township and town enterprises. However, it is not very practical to simply impose the "five prohibitions" on rural enterprises. We feel that three adaptations may be made in the "five prohibitions." One is to stress the prohibition against using raw materials which affect the intrinsic quality of the product and, under the premise of assuring the intrinsic quality of the product, provide township and town enterprises with a "workable method." The second is that inspection offices need not all be uniform. As long as small-scale enterprises make specialists responsible, there is no problem. The third is that inspection procedures should be "small but complete." It is necessary to advocate socialization and require that enterprises have the essential inspection procedures.

Essential procedures refer to measuring devices controlled by the technological process and testing equipment for measuring quality parameters of products during inspection as products leave the plants. These are the basic conditions for assuring product quality. They are attainable with much hard work by most enterprises.

9864/12948
CSO: 4406/718

SMALL-SCALE ENTERPRISES

SICHUAN PROVINCE PLANS TO EXPAND RURAL TOWNS

OW020840 Beijing XINHUA in English 0826 GMT 2 Jan 86

[Text] Chengdu, 2 January (XINHUA)--Authorities in Sichuan, China's most populous province, are drawing up plans to expand rural towns to meet the needs of the economic boom in the countryside.

An official of the provincial Construction Committee said here today that 95 percent of the province's rural towns had already completed their plans.

Nearly 200 towns have expanded public service facilities, industrial plants and housing accommodation over the past 2 years.

An extra 15 million square meters of premises have been built along rural streets, more than 800 waterworks have been constructed and an additional 95,000 kilometers of roads laid to link most of the towns.

These towns have also set up 6,000 market places, including 1,000 which can each hold more than 10,000 people.

More than 100,000 peasant families are now engaged in industry or commerce.

The official said funds for developing rural towns were raised mainly by the peasants themselves, while the province had trained architects to help them.

Datang Town, in Pujiang County near the Sichuan-Tibet highway, has grown from a small village into a trading center for agricultural and sideline products for 14 nearby townships.

New buildings have been built along its two 1.5-kilometer streets. One of two free-markets under construction has been opened. Sewers, water mains, high-voltage transmission lines and other infrastructure are being built.

More than 200 peasant families have left the fields to start up businesses in the town.

Local officials said Datang's annual trade turnover now topped 4 million yuan.

Wanjia Village, in Pengxian County, is known as a "peasant street." It has grown from a few small businesses to more than 300 shops, restaurants, hairdressers, tea houses and other services. The daily volume of business exceeds 10,000 yuan.

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CSO: 4020/242

SMALL-SCALE ENTERPRISES

BRIEFS

LEADER URGES DEVELOPING ENTERPRISES--Vice Governor Gabulong said at a provincial conference on township enterprises that Qinghai will vigorously develop these enterprises during the Seventh 5-Year Plan. By 1990 their output value should increase to 770 million yuan. In order to attain this goal, it is necessary to do a thoroughly sound job of the following tasks: 1. Enhance understanding and unify thinking, and organically integrate "no prosperity without industry" with "no stability without agriculture." Agriculture and industry should spur and support each other. 2. Make comprehensive use of the province's resources to develop competitive township enterprises with characteristics of the plateau and of the nationalities. 3. Seriously carry out [words indistinct] structural reform and rapidly popularize and perfect the various kinds of economic contract responsibility systems. 4. Do a good job consolidating the enterprises and improving their management. 5. Improve the technological level of the enterprises so as to boost their competitiveness. [Excerpts] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 14 Mar 86 HK] /12712

XINJIANG TOWNSHIP ENTERPRISES--According to the recent regional meeting of directors of township and town enterprise bureaus, the total income of the region's township and town enterprises in 1985 amounted to 1.05 billion yuan, an increase of 220 percent over 1980; their profits in 1985 were double those in 1980; and the taxes paid to the state by them in 1985 were nearly 700 percent more than in 1980. [Summary] [Uqumri Xinjiang Regional Service in Mandarin 1300 GMT 11 Mar 86 HK] /12712

OLD REVOLUTIONARY AREAS INSPECTED--Governor Ni Xiance and Vice Governor Jiang Zhuping have led more than 20 responsible cadres of departments concerned under the Provincial People's Government to the old revolutionary areas in southern Jiangxi to familiarize themselves with the situation and solve problems there. From 5 to 13 March, they were in Ningdu, Ruijin, Yudu, Ganxian, Shangrao, Chongyi, Dayu, and Nankang Counties as well as Ganzhou City. They visited peasant families in townships and villages to inquire about their conditions. Ni Xiance and Jiang Zhuping fully affirmed the achievements made by the counties and city last year and presented specific views on how to speed the process of achieving prosperity in the old revolutionary areas. Ni Xiance said: The old revolutionary areas in Jiangxi have favorable conditions and great potential. It is important for them to select a point of breakthrough, proceed from realities, and formulate their own policies. These

counties and city were backward in the past because they did not take their local characteristics into consideration and formulate correct policies for economic development. In recent years, they have earnestly studied the reasons for their backwardness and have worked out appropriate solutions. Ni Xiance said: The rural economy is the focus of Jiangxi's economic work this year. To promote the rural economy we must concentrate our efforts on strengthening village and town enterprises and on diversifying the economy. [Excerpts] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 20 Mar 86 OW] /12712

CSO: 4006/854

CONSTRUCTION

CHINA HOUSING CONSTRUCTION, DEVELOPMENT BUSINESS EXPANDS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Nov 85 p 3

[Text] China Housing Construction and Development Corporation, the largest comprehensive agency of land development and housing construction in China, has managed more than 18 million square meters of various commercial buildings this year, accounting for about one-fifth of the nation's urban housing floor space. The volume of business totaled 3.5 billion yuan, more than four times the sum of the past 3 years.

Since the China Housing Construction and Development Corporation was established in 1982, the business has rapidly expanded, the started or completed floor space of commercial buildings has doubled and redoubled year after year. Up to now the various commercial buildings which have been developed total more than 25 million square meters. Of these, more than 11 million square meters have been completed for use, while 1.8 million households have moved into the new housing quarters. At present, the corporation has set up 102 branches in 99 cities of the nation's 27 provinces, municipalities and autonomous regions. They develop and manage mainly various residential housing, as well as office buildings, tourist facilities, general workshops and so on.

Since last year, more than 10 branches of the China Housing Construction and Development Corporation, in cooperation with local banks, have developed the housing construction business involving condominium purchases with prize and interest certificates. Certificates totaling 18 million yuan have been issued in Harbin City. The day the certificates were issued, more than 40 sales offices of the banks were packed with people.

An official of the Business Department of the China Housing Construction and Development Corporation said that, at present, peasants in the economically developed areas along China's coast and in the rural areas south of the Chang Jiang were eager to purchase houses. The corporation sold for the asking price more than 12,000 square meters of residential housing to workers and peasants in the small cities and towns in Fuyang City and Jieshou County of Anhui Province last year. The housing quarters quickly sold out. He indicated that in the future the business in commercial building construction and development will extend to the rural areas.

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CSO: 4006/400

DOMESTIC TRADE

ECONOMIC COOPERATION BETWEEN ANHUI, XINJIANG

Hefei ANHUI RIBAO in Chinese 20 Nov 85 p 1

[Article by Gao Lei [7559 7191]: "Anhui and Xinjiang Reach Agreement on Economic Cooperation Projects"]

[Text] To strengthen economic ties between the Xinjiang Uygur Autonomous Region and Anhui, a provincial economic and technical cooperation delegation conducted an 18-day study tour of the autonomous region from 21 October through 7 November during which economic cooperation was also discussed. The leader of the delegation was Zhang Zuoyin [1728 4373 5593], member of the standing committee of the Anhui Provincial People's Congress, and its deputy leaders were Qin Bin [4440 1755], member of the standing committee of the provincial Chinese People's Political Consultative Conference, and Zhang Fuduan [1728 3940 4551], deputy director of the provincial Economic Cooperation Office.

The province and the region reached agreement on the following major economic cooperation projects. Xinjiang's Economic Cooperation Office and supply and marketing cooperative have agreed to speed up the delivery to Anhui of close to 400 tons of wool and 3,500 pieces of cowhide within 1985. To solve the raw material shortage in our woolen spinning industry and secure a stable supply of wool, Anhui has concluded two compensation trade agreements with Gongliu County in Yili Prefecture and Fangcaohu Farm in the sixth agricultural production corps. Under the agreements, we will provide Gongliu County and Fangcaohu Farm with 5 million and 3 million yuan in capital, respectively. From the second year of our investments onward, the county and the farm will supply us 320 tons of wool each year for 5 years. In addition, the Economic Cooperation Office of Xinjiang has agreed to supply us with fine-breed sheep, improved varieties of forage grass, and animal husbandry technology to help us establish a husbandry base in such counties as Ding, Feng, and Jia. The provincial Light Industry Department will assist Yili Prefecture in setting up a goatskin shoe manufacturing plant while the prefecture is to furnish us with sheepskin. Furthermore, a shirt factory will be built in Yili, a cooperative enterprise between the provincial Light Industry Department and the prefecture. The department will also provide the prefecture with the technologies of manufacturing fructose beverages, broad bean chili sauce, and pickles. Xinjiang produces 50 million jin of melon seeds annually, of which two-thirds are sold to Anhui. Now our province's Wuhu Yingchun Melon Seeds Company has signed a 3-year contract with the supply and marketing cooperative of Xinjiang under which the company will purchase 3,000 tons of melon seeds from the region each year.

DOMESTIC TRADE

BRIEFS

SHANGHAI OFFICIAL AT GARMENT FAIR--An exhibition of best garments made in Shanghai opened at the main central hall of the Shanghai Exhibition Center on 16 March. This is the largest garment fair in Shanghai since the founding of the country. Major Jiang Zemin and other leading comrades attended the opening ceremony. Vice Mayor Ye Gongqi cut the ribbons for the exhibition. Displayed at the exhibition are some 4,000 new designs turned out by 326 factories and stores. Half of the garments are available for purchase. [Text] [Shanghai City Service in Mandarin 0100 GMT 17 Mar 86] /9365

CSO: 4006/860

JANUARY-SEPTEMBER CHINESE CUSTOMS STATISTICS

Beijing GUOJI SHANGBAO in Chinese 31 Oct 85 p 1

[Article by Wang [3769]: "Growth in Both Import, Export Trade in September According to Customs Statistics"]

[Text] According to customs statistics, from January to September of this year China's national import and export trade amounted to $47.5 billion, of which exports accounted for $18.69 billion and imports for $28.87 billion. The trade deficit rose to $10.18 billion. In September of this year China's import and export figure was $6.03 billion, a 25.6-percent increase over the same period last year. Of this figure, exports accounted for $2.41 billion and imports for $3.62 billion, increases of 9.5 percent and 39.2 percent, respectively, over the same period last year.

Compared to the same period last year, major commodity exports that grew rather well included crude oil, grains, sugar, cans, vegetables, fur, filature silk, tin and tin alloys, fresh-frozen pork and finished oils. China's textile exports fell quite a bit compared to the same period last year because of continued restrictive policies adopted by the United States and other countries. Other falling exports were goatskin and tungsten ore.

Compared to the same period last year, major commodity imports that grew rather well continued to be electronics goods, steel, complete sets of equipment, and chemical fibers. Of these, televisions, radio-recorders, cars, steel, copper and copper alloys, aluminum and aluminum alloys, various complete sets of equipment and materials, chemical fibers for textiles, paper and cardboard, sheep wool, synthetic rubber and logs added $620 million to China's imports. Major imported commodities that fell included grain, cotton, oil, sugar, manufactured fertilizer, zinc and zinc alloys, iron ore, natural rubber, and computers.

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CSO: 4006/453

FOREIGN TRADE AND INVESTMENT

SURVEY OF FOREIGN ECONOMIC LEGISLATION SINCE OPEN POLICY

Beijing LIAOWANG [OUTLOOK] in Chinese No 46, 18 Nov 85 pp 26-27

[Article by Wang Zhengming [3769 2973 2494]: "Substantial Progress in External Economic Legislation"]

[Text] The open door policy is a correct policy put forward by the 3d Plenum of the 11th CPC Central Committee. During the past few years, China has drawn up and promulgated a series of laws and regulations concerning external economic relations. They have promoted and safeguarded the introduction of advanced foreign technology, the attraction of foreign capital and the development of all kinds of international economic and technical cooperation.

Since the 3rd Plenum of the 11th CPC Central Committee, China has promulgated over 50 individual and sets of external economic laws and regulations. They can be classified as follows according to subject matter.

1. Laws and regulations on Chinese-foreign joint ventures: Joint ventures using Chinese and foreign capital are joint-stock companies founded on the principles of equality and mutual benefit. The Chinese and foreign partners of a joint venture share its operations, management, profits and risks and are both responsible for its losses. On 1 July 1979, the Second Session of the Fifth National People's Congress approved the "Law of the PRC on Joint Ventures Using Chinese and Foreign Capital," the first statute formulated by China to regulate the various relations a joint venture using Chinese and foreign capital may enter into when it is set up and terminated and during production and various operations. Supplementary legislation includes the "Income Tax Law for Joint Ventures Using Chinese and Foreign Capital," "Regulations for the Implementation of the Law of the PRC on Joint Ventures Using Chinese and Foreign Capital," "Registration of Joint Ventures Using Chinese and Foreign Capital," "Labor Management Regulations for Joint Ventures Using Chinese and Foreign Capital," "Provisional Regulations for the Use of Land by Joint Ventures Using Chinese and Foreign Capital," "Detailed Regulations for the Implementation of the Income Tax Law for Joint Ventures Using Chinese and Foreign Capital," "Provisional Measures for the Processing of Loan Applications by Joint Ventures to the Bank of China," and others.

2. Laws and regulations on Chinese-foreign cooperative enterprises and foreign-capital enterprises: Cooperative enterprises are a form of

contractual cooperative enterprise founded on the principles of equality and mutual benefit. The rights and obligations of the Chinese and foreign partners are spelled out in a cooperation agreement or contract. Partners in a cooperative enterprise are jointly involved in its operations and distribute profits in accordance with a method and formula specified in the contract. They assume risks jointly and are both responsible for profits and losses. Foreign enterprises are enterprises established under Chinese laws which use only foreign capital and are independently operated. The "Income Tax Law of the PRC for Wholly Foreign-Owned Enterprises," approved by the Fourth Session of the Fifth National People's Congress in December 1981, clarifies the kinds of taxes, tax rates and tax breaks applicable to Chinese-foreign cooperative enterprises, wholly foreign-owned enterprises, and other economic organizations doing business in China. The nation has also drawn up special legislation to regulate economic cooperation in a number of crucial areas, such as "Regulations for the Exploitation of Offshore Petroleum Resources with Foreign Cooperation," promulgated by the State Council in January 1982.

3. Laws and regulations on the development of foreign trade: It is in line with the needs of China's four modernizations to actively develop foreign trade on the principles of equality, mutual benefit, and supplying what the other nations need. Over the past few years, China has promulgated a number of laws and regulations pertaining to the improvement and strengthening of foreign trade management. Among them are the "Regulations for the Classified Control of Export Commodities," "Provisional Regulations for the Coordination of Export Commodities," "Provisional Regulations of the PRC for the Licensing of Import Commodities," "Regulations of the PRC for the Quarantine of Exported and Imported Animals and Plants," and "Customs Tariffs of the PRC for Imports and Exports," all promulgated by the State Council; "Provisional Measures for the Licensing of Exports," promulgated by the former State Import and Export Control Commission and the former Ministry of Trade; and the "Circular on Questions Relating to the Classified Control of Export Licenses," issued by the Ministry of Foreign Economic Relations and Trade.

Since 1979 China has been encouraging export-oriented small and medium-scale processing and assembling industries as a means of nurturing our own exports and increasing foreign currency income. On 26 March 1979 the State Council promulgated the "Provisional Measures Governing the Use of Imports To Promote Exports" and called upon the nation to aggressively develop exports by fully exploiting foreign raw materials and technology to enhance domestic production capabilities. On 3 September the same year, the State Council issued the "Measures for Developing Export-oriented Small and Medium-Scale Processing and Assembling and Compensation Trade," which demands that we tap our labor and natural resources and production potential and, through processing, assembling and compensation trade, raise the technical level of our exports, improve product quality and variety, step up export commodity production, and expand foreign trade.

To inject life into the economy in border areas, satisfy the production and daily needs of their inhabitants and develop friendly relations with neighboring countries, China has launched small-scale trade between border towns. With the permission of the State Council, the Ministry of Foreign Economic Relations and Trade promulgated on 20 December 1984 the "Provisional

Control Regulations for Small-Scale Border Trade," which allows border towns to conduct small-scale trade in accordance with these principles: that they must find their own source of merchandise, look for markets themselves, conduct negotiations on their own, maintain their own trade balance, and be responsible for their own profits and losses.

To further develop foreign trade, the foreign trade system must be reformed. In September 1984 the State Council commented on the "Report on Opinions on the Restructuring of the Foreign Trade System" submitted by the Ministry of Foreign Economic Relations and Trade, and put forward a number of principles which foreign trade reform must follow: (1) separation of government from enterprises; the ministry will remain in overall control; (2) an agent system should be set up for foreign trade; and (3) industry must be integrated with trade, trade must be integrated with technology, and exports must be integrated with imports.

4. Laws and regulations to encourage invention, innovation, and the import of advanced foreign technology: To upgrade China's technical standards and production capability, we must encourage invention and innovation and actively import advanced technology suited to China's circumstances. Many laws and regulations have been drawn up in this area since the 3d Plenum of the 11th CPC Central Committee. The most important ones are the "Patent Law of the PRC" approved by the standing committee of the National People's Congress on 12 March 1984 and the "Detailed Regulations for the Implementation of the Patent Law of the PRC" promulgated by the Patent Bureau with the State Council's approval on 19 January 1985. These two pieces of legislation explicitly provide for a patent system in China to safeguard all Chinese and foreign inventions, utility models, and industrial designs which have applied for and been granted a patent. The implementation of the "Patent Law" has not only boosted inventions at home but also facilitated the transfer to us of foreign technology. In addition, the State Council has issued the "Regulations for the Control of Technology Import Contracts."

5. Legislation on foreign economic contracts: As foreign economic relations become more elaborate, external economic contracts in all their diverse forms have also proliferated. Hence the need for a law to set out clearly the procedures for the conclusion, implementation, amendment, abrogation and termination of a contract, and spell out the liabilities of breaking a contract and the settlement of contract disputes. On 21 March last year the standing committee of the National People's Congress approved and promulgated the "Foreign Economic Contract Law of the PRC." Under this law, a foreign economic contract must comply with the following basic principles: first, it must be concluded in accordance with the laws of the PRC and shall not impair its social and public interests; second, it must be established on the basis of equality, mutual benefit and mutual consent; and third, established international practices are to be used as reference.

The "Foreign Economic Contract Law" clarifies certain issues of general interest to foreign businessmen. First, it allows the signatories to a contract to select the law under which their contract disputes are to be settled. However, contracts signed in China on joint ventures and cooperative enterprises and those on the prospecting and development of natural resources

must apply Chinese laws. Second, a contract dispute may be submitted for arbitration either in China or in another country. Third, where Chinese laws are silent, the relevant international practice shall prevail.

6. Laws and regulations on the Special Economic Zones [SEZ's] and 14 opened coastal cities. Learning from the experience of some nations in the establishment of export processing zones and combining it with our actual conditions, including the need to develop foreign economic and technical cooperation, China has set aside certain areas in Shenzhen, Zhuhai, and Shantou, all in Guangdong Province, and Xiamen, Fujian, as SEZ's. On 26 August 1980, the standing committee of the National People's Congress approved the "Regulations for SEZ's in Guangdong Province" and on 2 April 1985 the State Council promulgated the "Regulations for the Control of Foreign Banks and Banks Using Chinese and Foreign Capital in SEZ's." Additionally, Guangdong and Fujian have drawn up local rules and regulations pertaining to their SEZ's.

To strengthen the role of our coastal cities and ports in the development of foreign trade and the promotion of international economic cooperation and technical exchange and accelerate their development, we decided to open 14 such cities to the world. Economic and technical development zones are set up within these cities and foreign companies; enterprises and individuals as well as those from Hong Kong and Macao are welcome to invest there. On 15 November 1984 the State Council promulgated the "Provisional Regulations for the Waiving and Reduction of Corporate Income Tax and Industrial and Commercial Unified Tax in SEZ's and 14 Opened Coastal Cities," giving preferential tax treatment in the form of tax exemption or tax cuts to Chinese-foreign joint ventures, cooperative enterprises and wholly foreign-owned enterprises in the SEZ's and coastal cities.

7. Laws and regulations on foreign exchange control: On 18 December 1980 the State Council promulgated the "Provisional Regulations for Foreign Exchange Control," stipulating the principle of "centralized control, unified management" for foreign exchange and providing for the distribution of part of our foreign exchange income. This was followed by the "Detailed Control Regulations on the Import and Export of Foreign Exchange, Precious Metals and Bills of Exchange," "Detailed Foreign Exchange Control Regulations for Enterprises Using Overseas Chinese Capital and Chinese-foreign Joint Ventures," "Regulations on the Import and Export of Gold and Silver," and "Detailed Regulations for the Punishment of Offenders of Foreign Exchange Control." Some of these regulations were issued by the government departments in charge while others were submitted to the State Council for its approval and promulgation.

To make use of foreign exchange and funds absorbed by banks, develop commodity production for export and other economic undertakings, and increase foreign exchange earnings, the State Council issued in August 1980 the "Regulations for Short-Term Foreign Exchange Loans by the Bank of China." The thrust of foreign exchange loans is to support enterprises producing export commodities in tapping their potential and in modernizing and restructuring themselves. Later the Bank of China also issued in succession "Detailed Regulations for Short-Term Foreign Exchange Loans," "Measures Concerning the Trial Use of

Preferential Interest Rates for Short-Term Loans by the Bank of the China," and "Regulations for the Trial Offering of 'Special Foreign Exchange Loans' by the Bank of China."

In order to actively and effectively make use of foreign capital and develop a firmer grip on the nation's indebtedness, the State Council also issued in April 1983 the "Circular on Questions Relating to China's Foreign Debts."

To sum up, we have made substantial progress in foreign economic legislation since the 3d Plenum, which has become a principal safeguard for our open door policy. At present we are perfecting our economic legislation and working intensively on formulation of the "Company Law," "Bankruptcy Law," "Maritime Law," "Chinese-Foreign Cooperative Enterprise Law," "Foreign Enterprise Law," "Foreign Trade Law" and so on. We believe that our economic and technical cooperation with the world will definitely advance to a new high as the national economy continues to develop in a coordinated way and as our socialist legal system continues to improve.

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FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE TASKS OUTLINED BY MINISTER

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 1

[Article by Li Bida [2621 3968 6671]: "Recognize New Situations, Study New Tasks; 1985 Annual China International Trade Association Meeting Satisfactorily Concluded"]

[Text] The 10-day 1985 annual meeting of the China International Trade Association satisfactorily concluded in Beijing on 6 November. Association Chairman Zhou Huamin [0719 0553 3046] presided. More than 140 economists and trade experts, scholars and leading comrades in the forefront of business around the country attended. Comrades in attendance probed theories and practical questions regarding China's foreign trade development strategy, reform of the foreign trade system, and improving foreign trade economic results during the Seventh 5-Year Plan and the next 10 years.

China's Current Foreign Trade Situation and Tasks

At the opening ceremony Zheng Tuobin [6774 2148 1755], minister of the Ministry of Foreign Economic Relations and Trade [MOFERT], made a brief and succinct introduction to the new situation confronting China's foreign trade. He said that China's foreign trade developed very quickly in the past year. The position of foreign trade in the construction of China's four modernizations and in world trade is much more important than it was before. Nevertheless, the task confronting us now is extremely arduous. We still lack a set of mature methods and measures for realizing our strategic targets and tasks. Many questions still demand our scrutiny and study. We now have a further understanding of two questions: We must pay particular attention to foreign exchange questions, and we must give precedence to reform. Reform cannot stop; it must steadily advance. We shall reform that of which we are sure and temporarily not move on that about which we are unclear.

He holds that China's foreign trade development currently is confronted with many new tasks. First, how can we make more foreign exchange; second, how do we establish an export product production system? We cannot set up bases again as before. We must adopt new principles, policies and methods. What can we do after all? We must solve problems while groping along and elaborate on theories. Management questions await further study next. There currently are 3,000 enterprises throughout China that directly trade with foreign countries. More than 1,000 of them are joint ventures that have already begun

to engage in direct foreign exports. Under these conditions how should they be managed? What is the future direction of management? In the end, do specialized companies or general commercial associations) have priority? These questions must be explored in theoretical terms and tested in practice.

Perfect and Expand Export Policies and Measures

On the issue of how to expand exports during the Seventh 5-Year Plan, Liu Hengye [0491 1854 0396], former MOFERT General Planning Bureau director, feels that:

First, two changes must be made in the product mix, i.e., primary goods must become finish-machined goods. Toward this end we must establish an export product production system. We must combine our domestic strengths and establish a group of backbone industries as export pillars according to the demand for exports. To establish an export product production system we must first choose our strengths and bases and not attempt to establish them indiscriminately. Taking cotton as an example, some 10 or more provinces now grow it. In the future it must be concentrated and tailored to foreign sales needs in terms of varieties and processing. Second, we must determine economic and technical assessment norms for specialized plants and bases. Third, the production of specialized plants and bases must be arranged around export demands, according to the "trade, industry, agriculture" order of priority. Fourth, we must give economic incentives and political glory to enterprises that produce exports.

Next, we must implement policies to encourage exports. This includes a series of questions related to fiscal administration, customs and taxes, exchange rates and foreign-exchange retained profits.

Third, we must strengthen administrative management, including the management of planning, enterprises, licenses and distribution.

Fourth, policy must deal skilfully with the relationships between the interests of the overall ministry and its various departments.

Fifth, we must perfect legislation. We must utilize legal systems to facilitate matters related to foreign trade.

Continue To Stress Foreign Trade System Reform

Although representatives at the meeting held differing opinions regarding reforming the foreign trade system, they have a better understanding for having discussed it. That is, we must uphold the reform, otherwise there is no hope of export growth during the Seventh 5-Year Plan. Shen Jueren [3088 6030 0086], director of MOFERT's Foreign Trade Administration Bureau, feels that:

We must implement an overall cleaning and rectification of foreign trade enterprises nationwide during next year's reform of the foreign trade system. Based on the foreign trade administration system for all enterprises, with regard to enterprises that earn foreign exchange without state authorization

or that have no management abilities, those that ought to be disbanded or merged will be. During the clean-up and rectification, those enterprises that disrespect the foreign trade administration system and the approved scopes of business, that jack up domestic prices to win sales, drop foreign prices to compete for sales, or that engage in illegal business must be investigated and punished. Illegally operating "briefcase" companies in particular must be firmly banned.

Based on the needs of foreign business, we must in a planned way approve a group of large- and medium-size producers who show promise to handle foreign trade directly, and bestow the appropriate foreign trade authority. The emphasis must be on technology-intensive producers, such as the mechanical, metallurgical and electronics industries.

We must set up trial integrated import/export companies and gain experience in the overall reform of the foreign trade system on the basis of summing up experience while developing roles for specialized companies without adversely affecting goods handled under uniform state regulations.

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FOREIGN TRADE AND INVESTMENT

SUBSTANDARD, BOGUS IMPORTS REPORTED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 1

[Article: "Many Quality Problems with Electronic Imports; Inspection of 59 Batches of Goods Finds 32 Batches Below Standards"]

[Text] According to reports in the ZHONGGUO DIANZI BAO [CHINA ELECTRONICS], the No 5 Research Institute of the Ministry of Electronics Industry made quality inspections on 59 batches of imported electrical goods this year between April and September. The results indicate that the quality of 32 batches, or 54.2 percent of the number inspected, was not up to standards. The value of the substandard products was $5.93 million, or 73 percent of the total value of the goods inspected.

Serious problems still exist in terms of the quality of imported electrical products, especially electrical products imported from Hong Kong, many of which are poor quality counterfeits or goods bearing fake brand names. For example, the No 5 Research Institute found that more than 1.88 million items in 11 batches valued at $5.32 million bore fake trademarks as Sharp 838 calculators. The goods were handled by major Hong Kong sellers such as Kangdao [1660 6670] Industries Ltd., Lianyue [5114 2867] Whole Tone Co., and the Fu Xing [4395 5281] Trading Co. In all cases the quality was substandard.

In order to prevent these inferior quality foreign products from pouring into China, the Ministry of Foreign Economic Relations and Trade, the Ministry of Commerce, and the State Commodity Inspection Bureau recently announced joint "Temporary Measures for the Inspection and Control of Imported Household Appliances." These regulations provide that within time limits set by contract, imported household appliances must be inspected by the Commodity Inspection Bureau or by an inspection organization authorized by it. Imported household appliances that are not inspected will not be allowed to be sold, nor will parts be allowed to be assembled.

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FOREIGN TRADE AND INVESTMENT

JIANGSU ACTIVELY OPENS EXPORT TRADE CHANNELS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 3

[Article: "Taking Advantage of Proximity to Ocean Reliance and Increasing Ocean Shipping Lines, Jiangsu Actively Opens Export Trade Channels; Export Value of Previous 10 Months Reaches $1.2 Billion"]

[Text] Jiangsu Province, the nation's leader in gross value of industrial and agricultural output, is presently in the midst of actively preparing to open international ocean shipping lines from the port of Zhangjia to Singapore, and from the port of Nantong to Singapore, Australia and elsewhere, to expand its export trade channels. Jiangsu Province Foreign Economic Relations and Trade Commissioner Xiong Renmin [3574 0086 3046] told this to reporters the other day.

For the past several years Jiangsu Province's foreign trade transportation situation has been steadily improving. Regarding ocean transport lines alone, 19 lines have already been started up, thereby establishing ocean transport connections between Jiangsu and over 230 ports in the world. Among these are included Zhangjia-Hong Kong-Northwestern Europe, Nantong-Kobe, Zhangjia-Hong Kong-United States, and other countries and regions such as Canada, the Mediterranean, the Persian Gulf, and East and West Africa.

By the end of this October, the total value of Jiangsu's exports reached $1.226 billion, an increase of $38 million over the same period last year. Xiong Renmin revealed that estimates of Jiangsu's exports this year surpass the plan and new development can be expected next year.

By the end of September, the province's main export goods such as clothing, metals and minerals, and chemical products had already fulfilled the export plan for the year ahead of time. Foreign exchange earnings for the above three categories of exports increased over the same period of last year by 18 percent, 40 percent, and 65 percent, respectively. Of the 11 cities in Jiangsu's main exporting areas, 5 have already completed this year's export earnings plan. The port city of Lianyungang that is now open to the outside has already overfulfilled the export earnings plan for the year one season ahead of schedule.

In the past year Jiangsu's exports to the Soviet Union, Eastern Europe, and to the European Economic Community countries has clearly increased. Through September, exports to the Soviet Union and to the EEC increased by 14.6 percent and 11.4 percent, respectively, over the same period last year. Jiangsu established economic and technical cooperation with the United States, Panama, and Hong Kong this year.

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FOREIGN TRADE AND INVESTMENT

XINJIANG HOLDS CONFERENCE ON FOREIGN TRADE WORK

HK150345 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 14 Mar 86

[Excerpt] A regional conference on foreign economic relations and trade, which concluded today, demanded that the foreign trade departments at all levels adopt a variety of methods to help enterprises in turning out products for export so as to increase the sources of export goods and improve economic results.

The meeting held that Xinjiang's foreign economic relations and trade have developed relatively fast in recent years. However, there is a lack of sources of best-selling export commodities, the quality of some commodities is not steady, types, styles, and packaging fail to meet the needs of the international market, and the region's ability to make foreign exchange from exports is low.

The meeting was held to achieve still greater development in the region's foreign economic relations and trade work. It is first necessary to solve the problem of producing goods for export. The foreign trade departments must seriously implement the policy of allowing the producing enterprises to retain some of their foreign exchange and of presenting awards for exports, so as to stimulate the enterprises' enthusiasm for turning out export goods. At the same time it is necessary to take full advantage of Xinjiang's strong points in resources, and take stock of and readjust the existing export commodity production bases. A number of new bases producing cotton, pears, and [word indistinct] should be set up. We should also organize some factories specializing in the processing for export of Hami melons, animal byproducts, woolen and cotton textiles, and chemicals.

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FOREIGN TRADE AND INVESTMENT

SICHUAN PROVINCIAL CONFERENCE ON TOURISM ENDS 10 MAR

HK140647 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Mar 86

[Excerpts] The provincial conference on tourism, which was held by the provincial government in Chengdu, concluded yesterday [10 March]. Governor Jiang Minkuan; (Xu Shiqun), member of the provincial CPC committee standing committee and director of the provincial foreign affairs office; and Jiang Zeting, secretary general of the provincial government, attended the conference and spoke.

Since the second half of 1978, 13 cities and counties in the whole province have been gradually opened to outside tourists and the province has had some 80 tourist spots and received some 350,000 Chinese and foreign tourists. Last year, the whole province earned foreign exchange equivalent to some 35.4 million yuan from tourism. Our province has laid an initial foundation of tourist work and won a certain reputation at home and abroad.

The conference held: While advancing steadily, we must develop tourist work in our province in 1986. We must try in every possible way to improve the tourist facilities which should be urgently improved and increased, strengthen the training of qualified personnel, and improve the political quality of the tourism ranks. We must strengthen propaganda to the utside world so as to get more tourists from abroad.

This conference also formulated Sichuan Province's Seventh 5-Year Plan for the development of tourist work.

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FOREIGN TRADE AND INVESTMENT

SHANDONG INVESTIGATES EXPORT PRODUCERS

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 1

[Article by Zhang Lin [1728 7207]: "Shandong Makes Overall Investigation of Enterprises That Produce Commodities for Export; Lay Foundation for Establishing an Export Production System; Thoroughly Understand Enterprises To Carry Out Their Technological Transformation"]

[Text] The Shandong Foreign Economic Relations and Trade Bureau recently launched a comprehensive investigation of enterprises that produce commodities for export.

There currently are more than 1,300 such enterprises in Shandong. Confusion concerning these enterprises' siltuations and a certain blindness in handling production and technological transformation affected the full development of their zeal for exports in the past. This investigation is to sound out the basic situation of exporters, and based on development trends in the international market, to rationally arrange for the production of exports in light of the enterprises' current situations; to propose plans and ideas for implementing technological transformation; to improve product quality, increase the varieties, styles, and colors of goods; to accelerate the upgrading of goods; and to enhance export competitiveness.

The investigation has three parts. The bureau will: (1) Investigate the equipment, technical levels, personnel quality and other basic conditions of enterprises as well as their export volume, product quality and foreign exchange earnings in recent years. (2) Investigate the enterprises' major problems and seek opinions from the departments in charge of those enterprises regarding their utilization and transformation. (3) To create a good basis for an export commodity production system, based on the investigation, make a comprehensive analysis and determine whether those investigated are fit to engage in the production of exports. The bureau will offer opinions regarding technical transformation and future product development trends, concurrently establish enterprise files and establish specialized exporting plants and mines in the next step of reform.

During the investigation all foreign trade bureaus will be responsible for organizing and making an overall investigation of the existing export commodity producers in their own areas. They will provide basic information

to all provincial import/export branches. All provincial import/export branches and industrial trade companies will be mainly responsible for investigating their own companies' backbone and promising products. Along with all foreign trade bureaus and branch companies and those in charge of local industry, they will also study and offer concrete advice regarding the technological transformation of industries and specific projects to develop export production. On this basis the provincial foreign trade bureaus can, together with concerned local and municipal foreign trade bureaus and provincial companies, make a thorough study of key exporters and key products province-wide. While synthesizing the overall investigation with the provincial departments concerned, they will jointly study and formulate policies and measures to encourage enterprises to produce and expand exports and formulate long-term technological transformation plans for exporters province-wide.

The entire investigation began in October of this year and can be completed in January of 1986.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANGHAI'S EXPORT VOLUME--Shanghai, 14 Mar (XINHUA)--By the end of February, the total value of commodities exported by Shanghai had reached $497 million, 11.8 percent more than the same period last year. In order to meet the needs of foreign trade, Shanghai's industrial departments, in addition to accomplishing the task of producing products required in export plans, have organized some factories engaged in producing products for domestic markets to produce products which have been in great demand in the international market. Foreign trade departments have also actively helped local enterprises modernize their production technology and improve their production capability in order to meet the needs of the international market. [Summary] [Beijing XINHUA Domestic Service in Chinese 0048 GMT 14 Mar 86 OW] /9365

ZHEJIANG COMMODITY EXPORT--Hangzhou, 13 Mar (XINHUA)--In 1985, 1,026 rural enterprises in Zhejiang exported commodities worth 360 million yuan in total, an increase of 38 percent over the previous year. The Yinxian County Poultry Cold Storage Plant exported 273 metric tons of frozen duck last year alone. [Summary] [Beijing XINHUA Domestic Service in Chinese 0051 GMT 13 Mar 86 OW] /9365

ZHEJIANG GOVERNOR OPENS HANGZHOU GUESTHOUSE--Hangzhou's Wanfu Guesthouse was formally opened for business on the afternoon of 17 March. Xue Ju, governor, and Han Kehua, director general of the National Tourism Administration, cut the ribbon at the opening ceremony. Provincial and city leading comrades, including Tie Ying, Xu Qichao, Wang Jiayang, and Li Dexin were present. During an inspection tour of Hangzhou last April, Comrade Hu Yaobang wrote an inscription for the guesthouse, which says: Guests are invited to drink in the beauty of Xi Hu, Chinese friendship will be unforgettable to friends. [Excerpts] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 17 Mar 86] /9365

DINGAN EXPANDS FOREIGN TRADE--Through party rectification, foreign economic relations and trade departments in Dingan County have drawn a bitter lesson from the imported car incident, corrected their guiding thinking about their profession, and shifted the focus of foreign economic relations work to giving full play to superiorities in local natural resources and to developing products for export to earn more foreign exchange. They have set up enterprises for earning foreign exchange and bases for producing goods for export,

with a view to striving to export more products and earn more foreign exchange. Since the second half of last year, they have actively sent people to areas outside the county and invited people from other areas to the county to hold business talks with more than 30 foreign and Chinese economic organizations on developing cooperative projects exploiting local natural resources to earn foreign exchange. [Excerpt] [Haikou Hainan Island Service in Mandarin 0400 GMT 12 Mar 86] /9365

SHANGHAI SINO-U.S. JOINT VENTURE--Shanghai, 10 Mar (ZHONGGUO XINWEN SHE)--Shanghai Conie [Kang Ning 1660 1337] Engineering Corporation formally started business today. This is an enterprise jointly funded by American Connie Glass Manufacturing, Shanghai special-purpose wireless engineering works, and New York China trade center. Its business includes: Designing, manufacturing, and selling advanced equipment for the glass industry and contracting for complete projects necessary for this equipment, such as civil glassware, black and white and color TV screens, lighting installations, electron tubes, and the special equipment for the use of glasswares in laboratories and hospitals. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1309 GMT 10 Mar 86] /9365

FUJIAN FOREIGN TRADE GROWTH--Foreign trade exports increased during the 3d quarter in Fujian Province. import and export trade is beginning to show improvement. In the first half of this year Fujian expanded its commodity business through overseas exhibits and sales. In the 3d quarter, the organizations having many channels for effective sale of goods increased the speed of exports, and the volume of exports increased 13.7 percent compared to the same period last year, higher than the national average. Compared to the first half of the year, 3d quarter monthly earnings were up by $14 million. According to the departments concerned, one of the main reasons for Fujian's improvement in 3d quarter foreign trade is that in addition to maintaining the level of steel and construction materials imports, automobile and videotape recorder imports were halted while television imports were reduced to a very low level. This proves that the concerned departments have effectively controlled imports of high-grade consumer goods. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 23 Oct 85 p 3] 12615

CSO: 4006/524

SPECIAL ECONOMIC ZONES

NANFANG RIBAO ON SHEKOU INDUSTRIAL ZONE DEVELOPMENT

HK211127 Guangzhou NANFANG RIBAO in Chinese 28 Feb 86 p 2

[Investigation report on Shekou's economic development by Yu Mingtao [0060 2494 3447], Zhang Gensheng [1782 2704 3932], and Xu He [1776 6320]: "A Very Successful Outward-oriented Industrial Zone"]

[Text] The Shekou industrial zone became our country's first outward-oriented industrial zone after our country began to implement the policy of opening up. It is part of the Shenzhen Special Economic Zone and is an economic entity run by the Hong Kong China Merchants Steam Navigation Co. Ltd. It has an area of about 4.5 square kilometers. From July 1979, when the Shekou industrial zone began its development, to the end of last year, the investment in the capital construction of the industrial zone amounted to 313 million yuan. A relatively high investment environment has been initially formed. Over the past 7 years, the party committee and administrative committee of the Shekou industrial zone have been using economic measures to develop the industrial zone and paying particular attention to the economic results of the industrial zone. They have been adhering to the principle of "stressing three aspects," and now an outward-oriented economic structure has been basically formed in Shekou. They have been sticking to the criterion of cadres' "four transformations," and have also employed and trained a contingent of cadres who can meet the needs of the work in the special zone. They have been adhering to the principle that leading comrades should set an example for the masses and paying great attention to the improvement of party style and the improvement of the general mood of the society. The Shekou industrial zone offers many attractions to foreign businessmen. By last September, the Shekou industrial zone had already signed 206 agreements with foreign and domestic businessmen and business firms. According to these agreements, Shekou will receive a total of HK$2.5 billion of investment, among which foreign investment accounts for HK$1.1 billion.

Over 50 industrial projects have been built and gone into production, and Shekou's commerce, service trades, building industry, and so on have also developed rapidly. There are 14,500 workers in the industrial zone. The fixed assets of the enterprises directly under the industrial zone amount to 170 million yuan (original value). In 1985, the total industrial output value of the Shekou industrial zone amounted to over 700 million yuan. In recent years, most of the industrial products of the Shekou industrial zone have been

exported, so the Shekou industrial zone has had a good balance between foreign exchange earnings and expenditure, and has thus made great contributions to the country. The great change in Shekou, which used to be a bleak and barren area along the coast of the South China Sea, has fully proved that the policy of opening up formulated by the central authorities is correct. It has provided experiences which can be used for reference in further opening up and developing the economic and technological development zones.

I. Adhering to Economic Measures in Administering the Industrial Zone and Paying Great Attention to Economic Results

Construction of the Shekou industrial zone began in 1979. The industrial zone began to recover its invested funds in 1982. In 1982, the Shekou industrial zone recovered 5.21 million yuan of invested funds. In 1983, 1984, and 1985, the Shekou industrial zone recovered 14.27 million yuan, 31.26 million yuan, and 52 million yuan of invested funds, respectively. To date, the Shekou industrial zone has recovered 100 million yuan of invested funds, which accounts for 30 percent of the total amount of investment in the capital construction of the industrial zone. After 1986, some of the enterprises in the industrial zone will increase their productive forces, and the enterprises which went into production earlier will increase their speed of investment recovery, for their tax-free period will expire.

That the Shekou industrial zone has achieved good economic results is because the Shekou industrial zone has been run with economic measures and not administrative measures.

1. The industrial zone being run by an enterprise has stopped the practice of "eating from the same big pot." The industrial zone is now being run by the Hong Kong China Merchants Steam Navigation Co. Ltd., which is a very big enterprise. In the beginning, the Hong Kong China Merchants Steam Navigation Co. Ltd. invested 50 million yuan (which was actually loaned and expected to be repaid later plus interest) in the industrial zone. Later, the main investment in the capital construction of the industrial zone came from loans provided by Hong Kong and domestic banks. The longer they use the loans, the more interest they will have to pay. This situation has made the industrial zone not only want to repay the loans, but also want to pay them off as quickly as possible. So when the Shekou industrial zone was being built, it paid great attention to the input and output of funds and carefully calculated the use rate and turnover rate of funds. The industrial zone also firmly established three concepts of value: The first is to calculate the time value of funds in terms of profits; the second is to calculate the input value of funds in terms of costs; the third is also to calculate the time value of funds in terms of interest. When a cent is put in, its output ought to be calculated and the input must be kept within the limits of the output. As a result, over the past few years, the scope and speed of the capital construction in the industrial zone have been kept under proper control. The industrial zone has not only paid attention to its input but also paid attention to its output. Thus the industrial zone has been developing according to the laws of economics.

[HK211129] 2. Running enterprises through economic measures. In order to develop highly technological industries, good basic facilities and services are needed so as to provide water, electricity, communications, transport, storage, labor force, and so on to the factories. The industrial zone has established more than 10 companies directly under it which provide necessary services through economic measures. The administrative committee does not interfere in the activities of these companies through administrative measures, but instead, macroscopically controls them through economic measures and makes decisions for them in "five aspects" (the administrative committee will decide the tasks, personnel, costs, circulating funds, and profits of enterprises) and delegates the power of organizing personnel, the financial power, and the power of independent management to the enterprises. After turning over profits to the state, the enterprises are allowed to freely dispose their funds and establish joint ventures with foreign companies and enterprises by cooperating with other units in the country. This relatively independent decision making power has greatly aroused the enthusiasm of the enterprises and invigorated the microeconomy.

The industrial zone has paid great attention to carrying out readjustment by making use of the economic levers. The delegation of power has made the financial resources relatively decentralized. The funds of some enterprises being left idle lowered the use rate of funds. So in July 1984, the industrial zone established an "internal accounting center" to strengthen the macroscopic control of funds. This "internal accounting center" is just like a fund dispatching office which controls the industrial zone's surplus funds and coordinates the surplus and shortage of funds so that the power of using funds has become relatively centralized and the funds can be used after considering the overall situation of the industrial zone and by preserving the ownership of funds. This has greatly increased the efficiency in using funds and has enabled the industrial zone to save one-third of the circulating funds. Last August, the "internal accounting center" developed into a financial company whose business has greatly expanded. It has also controlled on a trial basis the distribution of salaries and the accounts concerning salaries. The salaries are directly transferred into the workers' accounts in the company so that the workers can withdraw cash from the financial company at any time if they have their credit cards. This has accelerated the circulation speed and reduced the amount of funds kept in stock by the enterprises and in the hands of the citizens. This has also prevented runaway financial resources and enabled the industrial zone to make full use of its funds, thus raising the use rate of funds.

3. Running enterprises by enacting economic regulations and decrees. The industrial zone has implemented the manager (factory director) responsibility system in the independently owned enterprises, joint ventures, and cooperative enterprises under the leadership of the board of directors. The industrial zone will not interfere in the management policy of enterprises through administrative measures. The enterprises will have complete decision making power in the affairs concerning personnel, finances, materials, property, supply, and marketing. The industrial zone will not administratively interfere in these affairs. The industrial zone will mainly administrate and supervise the enterprises by enacting economic regulations and decrees.

Most of the enterprises in the industrial zone are enterprises with exclusive foreign investment or are joint ventures. Over the past few years, owing to the lack of economic legislation, some of the enterprises in the industrial zone have done things according to their own will. They have refused to hand in, delayed to hand in, or even handed in false report forms. Some enterprises have not paid their business income tax to the proper authorities; for example, a certain joint venture has refused to pay more than 700,000 yuan of business income tax to the proper authorities over the past 4 years. There are a number of problems existing in the administration of the joint ventures and independently owned enterprises of the industrial zone. Last June, the Shekou industrial zone administrative bureau promulgated the revised "provisional regulations for the statistical work of the Shekou industrial zone" and promulgated the "regulations concerning rewards and penalties in the statistical work of the Shekou industrial zone" last July. The Shekou administrative bureau also established legal statistical departments in a unified way. As a result, most of the joint ventures and independently owned enterprises began to hand in their report forms on schedule. The whole situation began to improve. A certain steel plant which had previously and illegally refused to hand in its report forms, now admitted its wrongdoing and paid a fine after the statistical bureau prosecuted it in court.

The legal system consists of both the enactment of laws and the enforcement of laws. Our regulations and foreign-related tax law concerning the special economic zones were promulgated long ago. But in the early days of the special zone, unclear responsibilities for enforcing the law caused confusion in the taxation work. After the establishment of the Shekou administrative bureau, the industrial zone recovered over 1.8 million yuan in taxes which had been in arrears, with the help of the bureau. The comrades of the Shekou industrial zone administrative committee deeply feel that opening up to the outside world and importing advanced foreign technology and equipment must be carried out simultaneously with the enactment of laws. Apart from foreign-related state law, there should also be some management regulations and decrees which are suited to the local situation. The Shekou industrial zone has already drafted 13 regulations and decrees which will soon be perfected and implemented in the area.

[HK211131] II. Stick to the Policy of "Stressing Three Aspects" and Establish an Outward-oriented Economic Structure

When the Shekou industrial zone was first established, it put forward and stuck to the construction policy of "stressing industry in production structure, stressing the import of foreign funds in establishing enterprises, and stressing export in product sales." The work has been centered on the import of advanced foreign technology and foreign funds, and the construction and management of industrial enterpries. Among the 200 projects for which contracts have been signed, there are 91 industrial projects involving an investment of HK$2 billion, which accounts for 79.35 percent of the total volume of investment in the industrial zone. To date, more than 50 factories have been constructed and gone into production, and over 100 kinds of industrial products have entered the world market. The total industrial export

value in the year 1984 was HK$1.43 billion, which accounted for 66.7 percent of the total output value of the industrial zone. In 1985, the total industrial export value of the industrial zone accounted for 75 percent of its total industrial output value. In 1985, the industrial zone really stressed industry in its production structure and stressed export in its product sales. The industrial zone not only realized a balance in foreign exchange but actually gained a surplus in foreign exchange. According to incomplete statistics, last year the industrial zone (including both joint ventures and enterprises run with exclusively foreign investment) had a surplus of HK$135 million in its foreign exchange, of which the foreign exchange surplus in industrial enterprises accounted for HK$118 million. Because the industrial zone stuck to the outward-oriented policy, although the state strengthened its macroscopic control and the administration of credit and foreign exchange last year, the economy of the industrial zone could still develop steadily and its various economic targets could be attained.

In order to implement the policy of "stressing three aspects," the industrial zone has adopted four measures: One is to use administrative measures to strictly examine and approve the projects being negotiated with foreign firms. By sticking to the principle of "stressing the use of foreign funds, the export of most of the products, and the balance in foreign exchange," when considering applications for establishing enterprises in Shekou, the industrial zone has given priority to those industrial enterprises with advanced technology which can export more than 50 percent of their products. The second measure is to use economic measures to control the enterprises in the industrial zone. The industrial zone has clearly stipulated that all the enterprises in the industrial zone must pay in foreign exchange the expenses of water, electricity, communications, land, the salaries of the personnel, and so on. If the enterprises are incapable of creating foreign exchange, they will find it difficult to carry out operations in Shekou even if they can make huge profits by selling their products on the domestic market. At present, joint ventures, cooperative enterprises, and enterprises run with exclusively foreign investment account for 77.6 percent of the products for which contracts have been signed and funds have been invested. The third measure is to try in every way to expand the export of products. This is mainly carried out by importing technology and developing new products for export; processing and finishing raw materials and primary products from the hinterland in the industrial zone and turning them into "value-added products" for export; and finally, making use of the sales channels of foreign companies to expand export. For example, the Universal Electrical Machinery Co. Ltd., which is jointly invested and run by Shanghai Electrical Plant, Hong Kong Wah Sing Enterprise Co., and the Shekou industrial zone, has made use of the technological advantage of the Shanghai Electrical Plant and enabled the standards of some of its products to surpass international standards. Last year the Universal Electrical Machinery Co. Ltd. exported all of its products and gained HK$2.5 million in net foreign exchange earnings. Another example is the Wah Si Co., which imports printing and dyeing equipment and technology from Italy and the FRG to process and turn raw materials and unfinished silk fabric provided by Zhejiang Province into printed silk fabric, some of which was made into

clothing. The Wah Si Co. exported all of its products, which are extremely welcome on the world market. According to preliminary calculations, when white unfinished silk fabric is processed into printed silk fabric, its value increases by 40 percent. When white unfinished silk fabric is made into clothing its value increases by 120 percent. The fourth measure is to gradually shift from using imported raw materials to using domestic raw materials. In the past, the Far East Fodder Plant, the Haihong Ship Painting Co., and some other enterprises imported all their raw materials from abroad. Because the raw materials were very expensive, these enterprises could only gain a limited amount of profits and they lacked foreign exchange. Later, these enterprises began to use domestic raw materials. Now when their products are exported, these enterprises cannot only make much more profit but can also advance the development of the industries in the hinterland.

[HK211133] III. Stick to the Criterion of Cadres' "Four Transformations" and Train Qualified Personnel Suited To Doing the Work of Opening Up

The success of any cause is first of all determined by human factors. The Shekou industrial zone has achieved better economic results because it has gradually selected and trained a batch of highly qualified cadres.

Most of the cadres of the Shekou industrial zone are transferred or invited from the hinterland. In order to guarantee the quality of the cadres, the industrial zone has paid particular attention to whether they are revolutionary, knowledgeable, specialize, and comparatively young, when employing cadres. The most important thing is to see whether they are revolutionary. When transferring cadres to the industrial zone from the hinterland, the industrial zone has paid particular attention to whether they support the policy of opening up which was formulated by the central authorities, whether they are consciously determined to carry out reforms, and whether they can work with a devotional spirit so as to sift out those who want to come to the industrial zone to "strike gold," that is, to earn high salaries. In employing staff members, the industrial zone has paid attention to the education and knowledge of the applicants and shown due respect for intellectuals. There are now 1,400 cadres in the industrial zone. Some 67 percent of cadres have a university or college education, and 87 percent of the cadres have a polytechnic education. The personnel structure of the industrial zone better conforms to the demand of opening up. Shekou's motto is: Time is money; efficiency is life. In order to maintain high efficiency, cadres must be energetic and healthy. If cadres are too old, they will not be able to match such a high speed. Young people are less conservative. The knowledge of young people is fresh. What is more, young people dare to present new ideas. All these can help to open up new prospects for the reform. Shekou has imposed an age limit when transferring cadres: The age of the cadres below the rank of engineer, associate professor, or research fellow must not be over 45. This has made the age structure of the cadres in the whole industrial zone conform with the needs of the modernization drive.

Apart from these measures concerning cadres' selection and promotion, there are also measures concerning cadres' training. In order to transfer qualified cadres from the hinterland, the industrial zone has established a cadre training center which has placed advertisements in newspapers to invite people to take its examinations. The cadre training center has already admitted several batches of applicants who have a university or post-graduate education. The center has also held one term of English and accounting courses and four terms of business administration courses. In training cadres, the center has opened courses relating to the actual needs of the industrial zone, such as international finances, international trade, industrial and enterprise administration, accounting, statistics, spoken English, foreign trade English, typing, driving, and so on. These practical courses have not only enabled the cadres to acquire real ability and information, but also enabled them to use their knowledge as soon as they start working in the industrial zone. In order to enable these future administrators to become familiar with the laws governing capitalist economic activities, the cadres have also been sent to Hong Kong in batches to carry out investigations into the capitalist market and economic structure so that they can acquire the real knowledge and ability needed in dealings with foreign businessmen. The center has also stuck to the advanced attitude by teaching our country's advanced ideology to the students and conducting reform education among the cadres in order to enable the cadres to grasp the basic spirit of our party's policy of reform and opening up and correctly view their cause and destiny. The center has also purposely let the cadres become familiar with the latest international developments and advanced products in the world so as to broaden their horizons. The center has also invited foreign experts to give lectures or hold symposiums to introduce the achievements of the technological revolution and scientific experiences concerning enterprise management and administration of other countries so as to enable the cadres to frequently deal with all kinds of information in the world and enable this to come naturally to cadres. Over 5 years have passed, and the center has transferred more than 180 cadres to various enterprises in the Shekou industrial zone. The cadre training center has been playing an important role in improving and raising the quality of cadres.

Apart from the measures concerning the selection and training of cadres, Shekou also has a system for ensuring the continued improvement of cadres' quality. Since 1983, the Shekou industrial zone has changed its method concerning cadres' appointments. In the past, the cadres at section chief level or enterprise manager level directly under the Shekou industrial zone were appointed by the higher authorities. Now the cadres at these levels are selected through democratic recommendation. Then the selected cadres are examined by the organization department, approved by the party committee, and finally employed by the administrative committee of the industrial zone. The cadres transferred from the hinterland are appointed to new posts according to their ability and according to the needs of the industrial zone. The cadres of the industrial zone are required to take examinations at regular intervals. [HK211135] In May 1983, the various enterprises directly under the industrial zone employed 46 cadres at or above the rank of assistant manager or deputy director. Among them, 82 percent have a college or above

education. In 1984, the cadre organization department of the Shekou industrial zone further perfected the cadre examination system by formulating relevant regulations concerning cadres' examinations and keeping a record of cadre examinations according to which the industrial zone promotes, commends, or criticizes the cadres and determines cadres' salaries. Those cadres who have long been incompetent and boastful are to be dismissed or downgraded. This system has guaranteed the quality of cadres and prevented incompetent and boastful people from entering the leading posts of the industrial zone. The leading comrade of the party committee of the Shekou industrial zone said that the cadres of the industrial zone are the most precious wealth of the industrial zone.

IV. Demand That the Leading Cadres Set a Good Example and Improve the Party Style and the General Social Mood

Opening up the outside world will inevitably bring some capitalist influences into the special zone. The party committee of the industrial zone has paid particular attention to carrying out discipline education among the cadres and demanding that the cadres strictly carry out the relevant state regulations and not recklessly make use of the special state policies towards the special zone. The industrial zone has banned such malpractices as illegally buying and selling foreign exchange and reselling vehicles at a profit and so on. The industrial zone has canceled the regulation allowing those who go to Hong Kong or foreign countries to bring back one tax-free large household electric appliance. The people in the industrial zone say: "Our cadres are upright and they have resisted various malpractices."

In order to improve party style, the most important thing is that the leading cadres set a good example, because if you want others to behave well, you yourself should behave well first. So the leading comrades of the party committee and administrative committee of the industrial zone have never sought personal privileges by abusing their powers. If they want others to do something, they themselves usually do it first. All the companies directly under the industrial zone have been provided cars for work, but the leading comrades of the party committee and the administrative committee of the industrial zone all go to work by bicycle. Along with the reform of the salary system, the industrial zone has also carried out rent reform. The per square meter rent has been raised to 0.8 yuan or 1.2 yuan. All the cadres and workers must pay rent without getting any subsidies from the authorities. For example, a granddaughter of an old adviser who has retired to the second front comes from Shenzhen to Shekou to attend school. According to the regulations of the school, she has to pay 400 yuan in school fees every term. Some comrades suggested that she be exempted from paying the fee once, but the old advisor insisted on paying the fee and said: "If my granddaughter does not pay the school fee, what will you do if the children of other comrades all refuse to pay the school fee? I should not become the first one to violate the regulations."

In order to improve the party style, the leading comrades must consciously be supervised by the masses. The Shekou industrial zone has formulated a complete system for the masses to supervise the cadres; for example, the cadres

must often listen to the opinions and criticisms of the masses through various channels. The people in Shekou say that the cadres of the Shekou industrial zone are not "bureaucrats," because the cadres do not have the concept of hierarchy and they can be criticized by the masses no matter how high their positions are. Thus there is a good democratic and political atmosphere in the industrial zone. People dare to speak and tell the truth, and all the people are happy and willing to make contributions to the construction of the industrial zone.

The good party style has brought about a fundamental improvement of the general social mood. Over the past 7 years, the number of workers in the Shekou industrial zone has increased to 14,000 and the population of Shekou has also increased. However, there have not been any serious criminal cases in the industrial zone and the industrial zone has basically resisted the corrosive influence of the decadent bourgeois ideology and has been praised by the foreign businessmen and firms in the industrial zone.

The Shekou industrial zone is the first export-oriented industrial zone established in a socialist country, so it has no precedent to refer to or follow. When we analyze the process of the development of its economic construction, we can see that the industrial zone has basically been successful, but the industrial zone still has a number of problems which need to be solved. The main problem is that the present economic pattern is still a primary export-oriented economic pattern which belongs to the category of a processing industry. The industrial zone needs to gradually build its own industry on its present basis, produce its own competitive products, and open up its own export channels. Only by doing things in this way can the industrial zone develop its own competitive strength and capability to cope with change on the international market. This is an important task the Shekou industrial zone must accomplish in the future.

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CSO: 4006/860

SPECIAL ECONOMIC ZONES

SHENZHEN INDUSTRIAL OUTPUT REPORTED HIGHER THAN LAST YEAR

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Nov 85 p 3

[Article: "Shenzhen Industry's Outward-Oriented Development; January to October Industrial Output Value Reaches 2.04 Billion Yuan"]

[Text] According to NANFANG RIBAO, the Shenzhen Special Economic Zone has made great progress in terms of the goal of outward orientation in the past year under the premise of continuous and stable industrial development.

Up to October this year, the gross value of industrial output for the whole city reached 2.04 billion yuan, an increase of 60.6 percent compared to the same period last year. The reason for this year's rapid industrial development is the influx of substantial industrial investment. Up to October, 122 industrial projects financed by Chinese-foreign joint capital, cooperative capital, and individual wholly-foreign capital were introduced. The total of the investment agreements is HK$4.2 billion, or a 6-fold increase over the same period last year. Some US$900 million has actually been put into use. In January to October this year 137 factories were newly built and put into production in the city, averaging one new factory coming into production every 2.2 days.

One of the gratifying characteristics of Shenzhen's industrial development this year is the rapid increase in foreign-oriented enterprises. Over 70 percent of the products of generally all the factories newly established this year have been marketed abroad. Last year there were only 50 or so factories marketing more than 70 kinds of products abroad. This year it has increased to more than 100 enterprises marketing more than 200 kinds of goods abroad. According to statistics, the special zone's industrial products sold on the international market reached HK$1.5 billion in the January to September period, an increase of 50 percent over the HK$1 billion worth sold abroad last year and the year before.

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CSO: 4006/524

SPECIAL ECONOMIC ZONES

SHENZHEN SECOND CONTROL LINE TO ENLIVEN ECONOMY

HK230424 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 18 Mar 86

[Text] At a press conference yesterday afternoon, Zhen Xipei, vice mayor of Shenzhen City, said that the establishment of the second control line on 1 April will not block the Shenzhen Special Economic Zone, but will further enliven the economy in the special zone.

The vice mayor emphatically pointed out that establishing and instituting the second control line is for the purpose of creating an investment environment making the special zone really special, and that the general guiding thought is to enliven the special zone.

From 1 April, all people from China's other areas who wish to enter the Shenzhen Special Economic Zone must hold PRC border area permits issued by public security bureaus at prefectural level or above. People residing in Guangdong who wish to enter the Shenzhen Special Economic Zone must hold permits issued by public security bureaus at county level or above. The detailed rules and regulations on entry and exit of relevant persons and freight will be promulgated before the end of March after being approved by the state.

After the official institution of the special zone control line, preferential policies on investment and running enterprises in Shenzhen will be further implemented. All means of production used in the special zone will be duty free. In markets in the special zone, except for the 24 commodities stipulated by the state, only half the customs duties will be imposed on imported daily necessities. This will certainly make the Shenzhen Special Economic Zone more enticing.

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CSO: 4006/860

SPECIAL ECONOMIC ZONES

SHENZHEN EXEMPTS MEANS OF PRODUCTION FROM IMPORT TAX

HK190803 Beijing ZHONGGUO XINWEN SHE in Chinese 1407 GMT 17 Mar 86

[Report by Zhan Moujun [6124 6180 0193]: "Duties Will Not be Levied on Means of Production Imported for Use in Shenzhen Special Economic Zone"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 17 Mar (ZHONGGUO XINWEN SHE)--After the management line of Shenzhen Special Economic Zone (i.e. the second line) is formally put into use on 1 April, all means of production for use in Shenzhen Special Economic Zone will be exempted from import tax; and, except for the 24 commodities which are now under state control, all articles for daily use will be exempted from 50 percent of import tax.

This was announced by Zhen Xipei, vice mayor of Shenzhen City, at a press conference this afternoon.

He said that after the second line management is introduced, major articles such as color television sets, refrigerators, hi-fi equipment, and so on, will also be gradually exempted from import tax. However, these articles cannot be taken out of the special economic zone.

He said that with the implementation of the second-line management, control in customs posts like Luohu, and so on, will be relaxed. In addition to that, the closing time of Luohu customs will be extended to 10 PM, and other exit and entry formalities will also be simplified. Therefore, it will be more convenient for compatriots from Hong Kong and Macao, overseas Chinese and foreigners to enter the special economic zone from Hong Kong.

Zhen Xipei pointed out that the implementation of second-line management is to invigorate the economy. In the future, Shenzhen will provide more convenience for people in business circles, and interior and foreign businessmen will make more trade contacts in Shenzhen, at various trade fairs and exhibitions.

With a total length of over 90 kilometers, the management line separates the special economic zone, with an area of 327.5 square kilometers, from the non-special zones and has 6 customs inspection stations on land and 2 at sea, as well as 29 farming openings for the convenience of local peasants. The whole project was completed last year and will be formally put into use on 1 April this year.

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CSO: 4006/851

LABOR AND WAGES

JOB PLACEMENT IN SHANGHAI REPORTED

Shanghai JIEFANG RIBAO in Chinese 23 Oct 85 p 1

[Text] According to data offered recently by the Municipal Statistics Bureau, new job placements in Shanghai during the Sixth 5-Year Plan are estimated to reach 1 million, basically settling the employment problem for the urban unemployed. In 1981, 269,000 people were placed; in 248,000 in 1982; 168,000 in 1983; and in 1984, 148,000. In 1985, it is estimated that roughly 170,000 people will be placed.

Of the 1 million newly-employed, 328,000 are urban unemployed, constituting 32.5 percent; 158,000 are from the countryside, constituting 15.6 percent; about 231,000 are graduates from universities, secondary vocational schools and technical schools by centralized placement, constituting 22.9 percent; about 177,000 are this year's graduates from middle schools, constituting 17.5 percent; and about 116,000 are demobilized soldiers, armymen transferred to civilian work, and others, constituting 11.5 percent.

The orientation of the new job placements is as follows: Roughly 721,000 people are working in state-owned units; they constitute 71.4 percent of the total. Roughly 231,000 people are working in the urban collective units, constituting 22.9 percent. Roughly 58,000 people are engaged in individual businesses and household manual labor, constituting 5.7 percent.

With the increase in the number of employed personnel in the last 5 years, the number of urban unemployed personnel has decreased year after year, from 203,000 in 1980 (including that year's surplus middle school graduates) to an estimate of 6,000 in 1985, giving an average annual reduction rate of 50.5 percent. It is estimated that by the end of 1985, the urban social laborers will increase from 4.48 million in 1980 to 4.98 million, an increase by 11.2 percent, and an average annual growth rate of 2.1 percent.

During the Sixth 5-Year Plan, because of the continuous development of the collective and individual economies, the number of staff members and workers of urban collectives and individual laborers has increased relatively rapidly. By the end of 1985, it is estimated that the staff members and workers of state-owned units will increase by 9.3 percent over 1980. Its proportion will drop from 78.5 percent in 1980 to 77.2 percent. It is estimated that the staff members and workers of the urban collective units will increase by 14.7 percent compared to 1980, and its proportion will increase from 21.2 percent in 1980 to 22 percent. It is estimated that urban individual laborers will increase 2.6-fold over 1980, and its proportion will increase from 0.3 percent in 1980 to 0.8 percent.

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CSO: 4006/401

LABOR AND WAGES

YUNNAN JOB PLACEMENT DURING SIXTH 5-YEAR PLAN REPORTED

Kunming YUNNAN RIBAO in Chinese 10 Oct 85 p 1

[Text] Data offered by the Provincial Statistics Bureau shows that employment in Yunnan has increased in large numbers during the Sixth 5-Year Plan period, with the placement of 730,000 people.

Among the newly-employed, 397,000 are from cities and towns, constituting 53.8 percent; 135,000 are from rural areas, constituting 18.4 percent; about 120,000 are graduates from universities, secondary vocational and technical schools by centralized placement, constituting 16.3 percent; and about 84,000 are demobilized soldiers, armymen transferred to civilian work, and other laborers, constituting 11.5 percent. As new jobs increase in large numbers, the unemployed in cities and towns are decreasing year after year, and the unemployment rate is declining. In 1980, the unemployed in the cities and towns totaled 72,000. By the end of this year, it is estimated to be 45,000, reducing the unemployment rate by 1.6 percent.

Because of the rapid growth of the collective and individual economies, urban collective staff members and workers and individual laborers have increased more rapidly in the last 5 years. It is estimated that the total number of urban social laborers throughout the province this year will increase 17.9 percent compared to 1980, with an average annual growth rate of 3.4 percent. Of this, it is estimated that the number of staff members and workers of the state-owned units this year will increase by 9.4 percent over 1980, and its proportion will drop from 87 percent to 80.9 percent. It is estimated that the number of staff members and workers of the urban collective units will increase by 37 percent over 1980, and its proportion will rise from 12.5 percent to 14.6 percent. It is estimated that the number of individual laborers will increase 14 times over 1980, and its proportion will rise considerably.

The various labor-service companies developed in recent years have become new social labor organizations which are found in cities and towns throughout the province. They are playing an increasing role in placing, training, and regulating the labor forces of society.

9335
CSO: 4006/401

POPULATION

PRC ISSUES MARRIAGE REGISTRATION REGULATIONS

OW151135 Beijing XINHUA Domestic Service in Chinese 0100 GMT 14 Mar 86

[Text] Beijing, 14 Mar (XINHUA)--Regulations Governing Marriage Registration Approved by the State Council on 31 December 1985 and Promulgated by the Ministry of Civil Affairs on 15 March 1986:

Article 1: These regulations have been formulated in accordance with the relevant provisions under the "People's Republic of China Marriage Law" for guaranteeing the implementation of the matrimonial system of marriage freedom, monogamy, and equality between men and women; for protecting the legitimate rights of the parties to marriage; and for preventing acts in violation of the marriage law.

Article 2: When a man and woman get married, divorced, or remarried of their own volition, they shall register the status of their marriage in accordance with these regulations.

The legitimate rights of those marriage partners who have effected due registration in accordance with the law shall be protected by the law.

Article 3: The organizations in charge of marriage registration shall be township, nationality township, and town people's governments in rural areas, and neighborhood offices, district people's governments, or city people's government when there are no districts in the cities.

Article 4: When a man and woman get married of their own volition, they shall personally apply for marriage registration with the marriage registration organization in either of their domiciles. Resident identity cards or household registers, and certificates issued by the units concerned or the village committees (the resident committees) containing birth and marriage information (single, divorced, or widowed) shall be submitted upon application. Those who have been divorced shall produce divorce certificates when applying for remarriage.

Article 5: Marriage registration organizations shall approve the registration of marriages found to be in compliance with the marriage law and these regulations upon examination and shall accordingly issue the "marriage certificates." They shall disapprove of the registration of marriages that violate the marriage law and these regulations, and shall conduct propaganda and education on the marriage law for the parties concerned.

Where a couple applying for marriage registration is unable to obtain the required certificate due to interference from their units or other people, the marriage reigstration organization shall investigate the case and issue the "marriage certificate" if it finds the marriage to be actually in compliance with the marriage law and these regulations.

Article 6: When any of the following conditions exists with respect to one or both of a couple applying for marriage registration, the marriage shall be banned and registration withheld:

a. younger than the legal age for marriage;
b. not marrying of one's own volition'
c. already married;
d. of linear blood relationship or collateral blood relationship within three generations;
e. afflicted with leprosy or veneral diseases without having been cured.

Article 7: When a man and woman get divorced of their own volition and have reached agreement on child support and financial arrangement, they shall personally apply for divorce registration with the marriage registration organization in either of their domiciles. Resident identity cards or households registers and the "marriage certificate" shall be produced upon application. The marriage registration organization shall approve the registration, issue a "divorce certificate," and revoke the "marriage certificate," if it finds the case to be true upon investigation.

The marriage registration organization shall refuse to handle a case in which either or both of the parties demand divorce but have failed to reach agreement on child support and financial arrangement.

Article 8: When a man and woman resume their matrimonial relationship of their own volition after a divorce, they shall personally apply for remarriage registration with the marriage registration organization in either of their domiciles. The marriage registration organization shall handle the registration in accordance with the marriage registration procedures, and shall issue a "marriage certificate" and revoke the "divorce certificate."

Article 9: A man and woman applying for marriage, divorce, or remarriage registration shall provide true information required by the marriage registration organization.

When the marriage registration organization finds that a married couple has committed acts in violation of the marriage law, or has obtained the "marriage certificate" through fraudulent means by providing false information upon registration, it shall proclaim the marriage null and void, revoke the stolen "marriage certificate," and criticize and educate those held liable for these acts. When criminal violations are involved, judicial organs shall pursue criminal liability in accordance with the law.

Article 10: Marriage registration organizations shall properly preserve marriage records in accordance with the regulations governing record-keeping.

Marriage registration organizations are permitted to issue "certificates of matrimonial relationships" or "certificates of the termination of matrimonial relationships" in accordance with the information provided on marriage records to those who have lost their "marriage certificates" or "divorce certificates." The said two certificates have the same legal force as a "marriage certificate" or a "divorce certificate."

Marriage registration organizations are also permitted to furnish certificates of the legally registered marriage (divorce, or remarriage) of the people concerned in accordance with the information provided on marriage records to public security and judicial organs requiring such information.

Article 11: The forms for "marriage certificates," "divorce certificates," "certificates of matrimonial relationships," and "certificates of the termination of matrimonial relationships" shall be prescribed by the Ministry of Civil Affairs; printed by provincial, autonomous regional, and municipal people's governments; and stamped by county and district or city people's governments where there are no districts.

"Marriage certificates" and "certificates of matrimonial relationships" shall carry pictures of both parties and the imprints of seals (embossed seals) for exclusive use in marriage registration.

Marriage registration organizations shall charge for the costs of issuing "marriage certificates" or "divorce certificates," or of producing "certificates of matrimonial relationships" or "certificates of the termination of matrimonial relationships."

Article 12: The posts of registrar at marriage registration organizations shall be filled by people who were trained by civil affairs departments at and above the county level, have passed the evaluation tests, and have obtained certificates certifying them as of marriage registrars.

When in handling marriage registrations, marriage registrars refuse to register cases eligible for registration under the law or register cases not eligible for registration under the law, they shall be criticized, educated, or given disciplinary measures as the seriousness of the case may warrant. Where criminal violations are involved, judicial organs shall pursue the criminal liability in accordance with the law.

Article 13: Where some of these regulations are not applicable to marriage registration in ethnic autonomous areas, some alternative or supplementary provisions may be formulated in accordance with the principles of these regulations and local ethnic wedding traditions. Said cases shall then be reported to the higher people's government, the Ministry of Civil Affairs, and the State Nationalities Affairs Commission for the record.

Article 14: Registration of marriages between Chinese and foreign nationals, between Overseas Chinese and mainland citizens, and between compatriots from Hong Kong and Macao and mainland citizens shall be effected in accordance with some of the provisions governing marriage registration between Chinese and

foreign nationals and between Overseas Chinese and compatriots from Hong Kong and Macao and mainland citizens.

Article 15: These regulations shall take effect on the day of promulgation. "The Regulations Governing Marriage Registration" promulgated on 11 November 1980 are abolished at the same time.

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CSO: 4006/851

POPULATION

SHANXI MEETING COMMENDS PLANNED PARENTHOOD PROGRESSIVES

HK230221 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86

[Excerpts] On 22 March, the provincial government held a gathering in Taiyuan to commend advanced collectives and individuals in practicing planned parenthood.

Zhang Weiqing, member of the standing committee of the provincial CPC committee, spoke on behalf of the provincial CPC committee and government. He stressed: We must continue to do a good job in planned parenthood and strictly control population growth during the Seventh 5-Year Plan. The province's natural population growth must be kept below 10.5 per 1,000, and the population must be controlled at about 27.6 million. The population should be controlled at about 30 million by the end of the century. In order to fulfill this task, he stressed four views in his speech:

1. We must continually enhance the understanding of the leaders and the masses regarding planned parenthood, and persevere in simultaneously grasping two kinds of production.

2. We must persevere in reforms and gradually perfect the planned parenthood policies.

3. We must carry out vivid and lively planned parenthood propaganda and education.

4. We must strive to train and build a Red and expert planned parenthood work force.

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CSO: 4006/860

POPULATION

SHANXI RADIO URGES GOOD JOB IN PLANNEL PARENTHOOD

HK230223 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86

[Station commentary: "Continue To Get a Tight Grasp of Planned Parenthood Work"]

[Excerpts] During the Sixth 5-Year Plan, and especially since implementing Central Document No 7, the situation of excessively rapid population growth rate in Shanxi was basically put under control. However, the province's task of population growth control during the Seventh 5-Year Plan is extremely arduous. On the one hand, those born during the first birth peak after the founding of the state are now entering marriageable age, and a new birth peak is imminent. On the other hand, there are still serious imbalances and many weak links in our work. Some comrades lack sufficient understanding of the long-term and arduous nature of practicing planned parenthood, mistakenly holding that since the economy has developed, a few more births do not matter. They have thus slackened leadership over planned parenthood work. Some places have not done a thorough job in implementing the intentions of the central authorities, and the policies there are not sufficiently perfected and firmed up. A long process is required to change the masses' view of procreation. Unhealthy trends have appeared among the leaders of a few places in carrying out planned parenthood work, and so on.

All these problems add to the difficulties of population control. We must keep cool heads. We must certainly not relax planned parenthood work just because the economy is developing in a sustained and steady way, people's living standards have improved, and the population growth rate has declined somewhat. If we go about things carelessly and negligently, we will go back to the situation of excessively rapid population growth.

We must therefore put planned parenthood onto the track of building socialist spiritual civilization and assign it its rightful important position.

We must persist in a civilized work style and avoid and eliminate certain work styles of issuing compulsory orders. We must adopt various ways to effectively serve the masses and strive to change the masses' view of procreation and make them more spontaneous in practicing planned parenthood, so as to ensure the fulfillment of the province's population plan for the Seventh 5-Year Plan.

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CSO: 4006/860

PUBLICATIONS

NEW TRADE GAZETTE PUBLISHED

Beijing GUOJI SHANGBAO in Chinese 11 Nov 85 p 2

[Article by Bi Shuchu [3968 5289 2806]: "DUIWAI JINGJI MAOYI WENBAO [MOFERT GAZETTE] To Be Published Next Year"]

[Text] To meet the needs of economic relations and trade development, the Ministry of Foreign Economic Relations and Trade [MOFERT] has decided to publish the DUIWAI JINGJI MAOYI WENBAO. It is already in trial publication. The January 1986 edition is the first official issue.

In its exercise of state administration functions, the gazette is one of MOFERT's means of official communication. Any document or matter related to economic relations and trade that is to become common knowledge will be published in it. In general, articles carried in the gazette will not be republished elsewhere and they shall have the same administrative and legal effect as normal official communications.

The gazette's main contents are: policies, laws, rules, regulations and measures formulated by MOFERT; the installation, amalgamation, dissolution or name change of economic relations and trade administration organizations at the provincial level or above, or of national economic enterprises; the establishment or dissolution of major Chinese-foreign joint ventures, wholly foreign-owned enterprises and foreign enterprise representatives offices in China; the appointment and dismissal of personnel with major responsibilites in the various main functional organizations of MOFERT and national economic relations and trade enterprises and units; and documents formulated by the CPC Central Committee, the State Council, and various authorized departments that require thorough implementation by economic relations and trade enterprises and units nationwide.

The gazette will be issued throughout the country. All levels of foreign economic relations and trade administration departments, all kinds of economic relations and trade enterprises, and all units above the business departments (under state jurisdiction) should subscribe to it. Administrative departments higher than county offices that are outside the economic and trade system can also subscribe. Subscription solicitation has already begun. Please contact MOFERT's general office for confidential matters regarding specific subscription information.

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HONG KONG'S FOREIGN TRADE EXPECTED TO EXPAND

Beijing GUOJI SHANGBAO [INTERNATIONAL BUSINESS] in Chinese 26 Dec 85 p 3

[Article by Zhang Mingyou [4545 2494 0645] and Gu Chunfang [7357 2504 5364]: "Hong Kong's Foreign Trade Will Continue To Grow"]

[Text] Since 19 December 1984, when the governments of China and England signed a joint communique regarding the Hong Kong question, Hong Kong's foreign trade situation has been getting better by the day. In comparison with the last third of September, 1983, when the Hong Kong dollar began tumbling rapidly, inflation soared, the price of land sank, and capital flowed outward, the Hong Kong dollar is now stable, the market is thriving, investment is up, and much of the capital that flowed out has returned. Also, real estate has come back to life, construction has fully recovered, and tourism is up. The joint communique provided a realible guarantee that Hong Kong's prosperity and stability would be maintained in the long term. Hong Kong's foreign trade will continue to expand and be open, stable, and flexible.

Foreign trade is felt to be "Hong Kong's lifeline." Hong Kong's 5.3 million residents largely depend on imports of raw materials for production and daily consumption, for semifinished products, and for production equipment. Ninety percent of Hong Kong's products are for export; without foreign trade, Hong Kong's production system could not continue. In 1984, the total amount of Hong Kong's foreign trade was 1.79-fold that of total production value. Moreover, the growth of Hong Kong's banking, insurance, storage, port, and both its wholesale and retail industries by and large is closely tied to foreign trade.

Hong Kong has been a traditional market for commodity exports from the mainland. Hong Kong residents are accustomed to Chinese merchandise. China has sales networks all over Hong Kong and Kowloon and that foundation is pretty stable. Before 1968, Chinas was consistently the leading exporter to Hong Kong, but by 1968 Japan leaped into the top position and held onto it for 14 years, but once again in 1982 China recovered the crown and has held onto it ever since. China provides many commodities that Hong Kong residents consider traditional necessities; some are indispensable fresh or live items such as livestock, fowl, eggs, fruit, vegetables, sugar, and fish. Crucial raw materials for industry as well as semi-finished and

finished commodities, such as cotton cloth for textiles and cotton yarn, are furnished. Energy sources, such as coal and oil, which Hong Kong's economy will require over the long run are increasingly being supplied. Moreover, the fair price of Chinese goods is helpful in lessening expenses for Hong Kong residents, diminishing Hong Kong's production costs and slowing inflation.

Because Hong Kong can readily adapt its products to market changes, it is quite competitive on foreign markets.

Hong Kong is known as a place that "knows which way the wind is blowing," meaning that exporters are in tune with demand on foreign markets. This is because Hong Kong pays close attention to and has a handle on news about foreign markets; its information pathways are numerous, news travels fast, and the subject matter is extensive. Furthermore, at a certain level it is also related to the fact that Hong Kong businessmen have the flexibility and enterprising spirit it takes to develop new, popular products. There are many examples of its successes: In the 1960's it was wigs and plastic flowers; in the 1970's it was worker's clothing, electronic watches, and calculators; in the 1980's it has been video games and electronic telephones. As to minicomputers, Hong Kong businessmen were quickly able to catch up with the tide at the right moment, so much so that it has become the major exporting center worldwide.

When Hong Kong products first entered the European and American markets, it was generally because their reasonable prices attracted customers. Although during the 1970's the quality of Hong Kong goods improved steadily, price competitiveness was still extremely important. This was largely because of the competition from cheap products produced in South Korea and Taiwan Province.

Prospects for Hong Kong's trade development in the next few years are good.

First, although the economy of the West cannot avoid the impact of their economy's cyclical nature, which affects the speed of growth, in general the economy is tending toward growth. According to predictions from pertinent sources, the American economy, which paves the way for a growing Western economy, will attain a growth rate of about 2.5 percent in 1986; furthermore, between 1986 and 1990 the main industrialized nations of the West should be able to maintain about a 3-percent growth rate. On the basis of other estimates, the volume of world trade for 1985 and 1986 will grow by 5.4 percent annually and from 1987 to 1990 an average annual growth rate of 5.3 percent can be expected. So if the world economy continues to expand, Hong Kong's exports will do well.

Second, as China's interior continues to open up and if government policies continue to invigorate the economy of the interior, economic dealings between Hong Kong and the interior region ought to become even closer. Beyond merely continuing as an entrepot port for the interior, if Hong Kong and the interior further expand cooperative industrial development, then trade in production equipment, raw materials and semifinished products will continue to grow between them.

Third, Hong Kong's entire economy will realize stable growth. People are predicting that from 1985 to 1989 Hong Kong's economy should grow annually an average of 7.5 percent and individual consumer spending should be able to maintain the 8-percent growth rate of the previous 5 years, if not rise a little bit.

Fourth, Hong Kong industry is just entering into a period of structural readjustment; it is changing from a labor-intensive to a technologically intensive system, which should help it to launch new products into the market and help it cope with competition from neighboring areas. For example, the variety of electronic products is enormous and many of these are still in the new-product market, though the potential is great. Hong Kong can make use of its sensitive market antennas and can easily obtain advanced technology from the West; it possesses the right conditions that can enable it to expand exports of electronic products.

Fifth, in September of this year, five Western nations united and intervened to weaken the U.S. dollar. This has helped American exports and at the same time has on all levels put a damper on radical protectionist sentiments in America. Furthermore, because the currency exchange rate between U.S. and Hong Kong dollars has been stable, the exchange rate between Hong Kong dollars and other currencies has also softened. Consequently, the competitiveness of Hong Kong products has been enhanced, thus stimulating exports.

According to analyses, Asian economies will grow faster than either the European or American economy. Hong Kong is right in the heart of Asia; if it can maintain stability, adaptability, and openness, it ought to see steady growth in the next several years.

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